BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 2011-47-WS

In the Matter of:

Application of Carolina Water Service, Inc. for)
adjustment of Rates and Charges and Modification)
of Certain Terms and Conditions for the Provision)
of Water and Sewer Service)

Exhibit
to Accompany the
Prepared Direct Testimony
of

Pauline M. Ahern, CRRA
Principal
AUS Consultants

On Behalf of the

Carolina Water Service, Inc.

August 3, 2011

Table of Contents
to the Financial Supporting Exhibit
of Pauline M. Ahern, CRRA

Carolina Water Service, Inc.
Summary of Cost of Capital and Fair Rate of Return
Based upon the Capital Structure of Utilities, Inc. at December 31, 2010

Type of Capital	Ratios (1)	Cost Rate		Weighted Cost Rate
Long-Term Debt	50.11%	6.60%	(1)	3.31%
Common Equity	49.89%	10.80% - 11.40%	(2)	5.39% - 5.69%
Total	100.00%			8.70% 9.00%

Notes:

(1) Company-provided.

(2) Based upon informed judgment from the entire study, the principal results of which are summarized on page 2.

Carolina Water Service, Inc.
Brief Summary of Common Equity Cost Rate

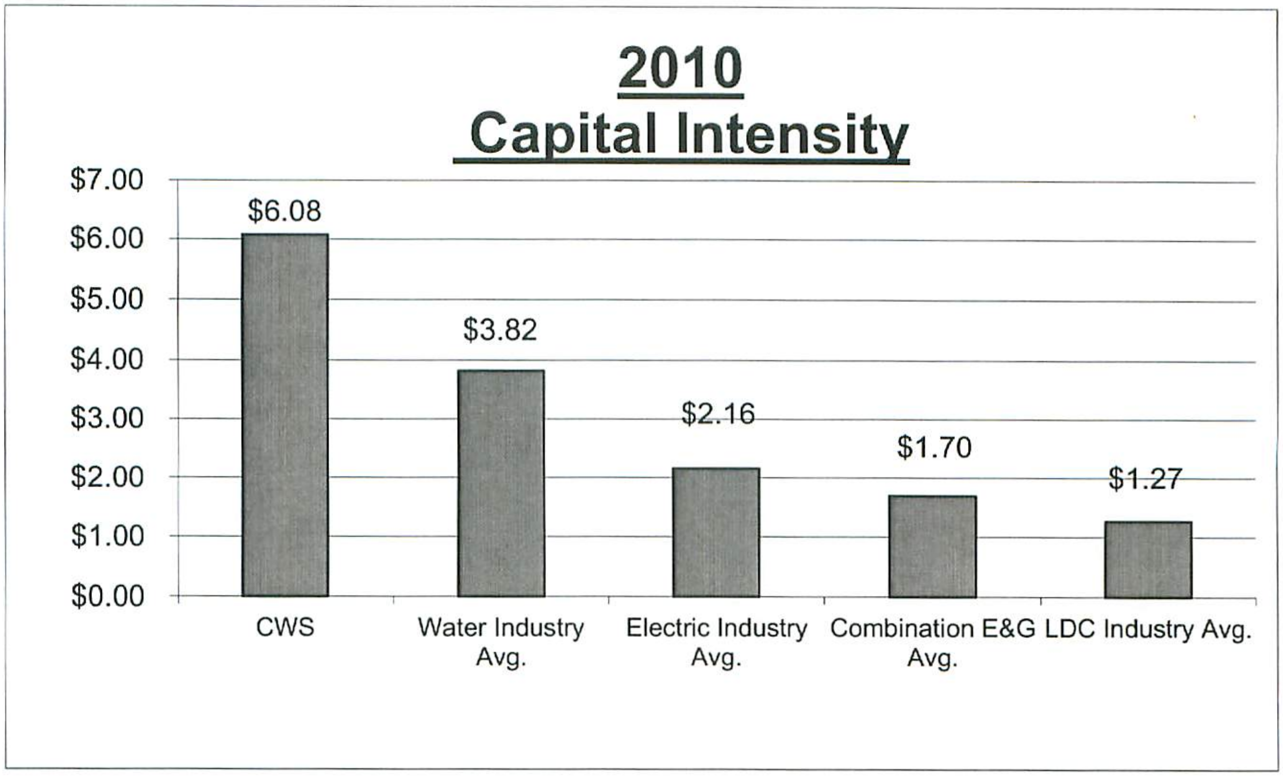
No.	Principal Methods	Proxy Group of Nine Water Companies		
1.	Discounted Cash Flow Model (DCF) (1)	9.54%		
2.	Risk Premium Model (RPM) (2)	10.33%		
3.	Capital Asset Pricing Model (CAPM) (3)	10.42%		
4.	Market Models Applied to Comparable Risk, Non-Price Regulated Companies (4)	13.45%		
5.	Indicated Common Equity Cost Rate before Adjustment for Business Risks	10.40%	-	11.00%
6.	Financial Risk Adjustment (5)	-0.08%		-0.08%
7	Business Risk Adjustment (6)	0.50%		0.50%
8.	Indicated Common Equity Cost Rate	10.82%	-	11.42%
9.	Recommended Common Equity Cost Rate	10.80%	-	11.40%

Notes: (1) From Schedule PMA-6.
(2) From page 1 of Schedule PMA-8.
(3) From page 1 of Schedule PMA-10.
(4) From page 2 of Schedule PMA-11.
(5) Financial risk adjustment to reflect the financial risk of the capital structure employed by Carolina Water Service, Inc. for ratemaking purposes relative to the proxy group as detailed in Ms. Ahern's accompanying direct testimony.

(6) Business risk adjustment to reflect CWS's greater business risk due to its small size relative to the proxy group as detailed in Ms. Ahern's accompanying direct testimony.

Carolina Water Service, Inc.
2010 Capital Intensity of Carolina Water Service, Inc. and
AUS Utility Reports Utility Companies Industry Averages

	Average Net Plant ($ mill)	Average Operating Revenue ($ mill)	Capital Intensity ($)	Capital Intensity of CWS v. Other Industries (times)
Carolina Water Service, Inc.	$ 43.11	$ 7.09	$ 6.08	- -
Water Industry Average	$ 1,841.97	$ 482.13	$ 3.82	159.16%
Electric Industry Average	$ 11,841.00	$ 5,481.47	$ 2.16	281.48%
Combination Elec. & Gas Industry Average	$ 10,561.90	$ 6,210.80	$ 1.70	357.65%
Gas Distribution Average	$ 2,909.36	$ 2,295.93	$ 1.27	478.74%



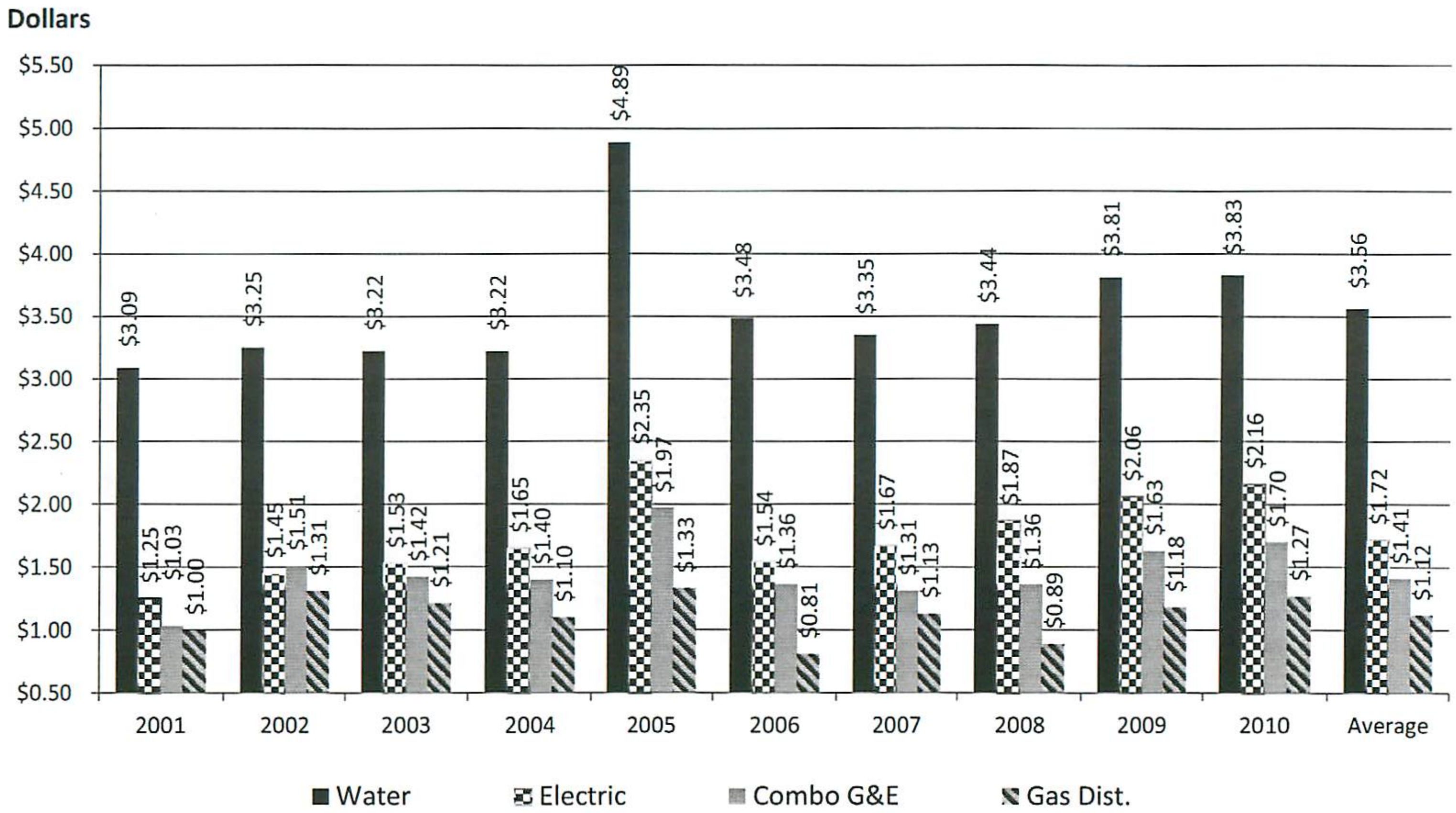
Notes:
Capital Intensity is equal to Net Plant divided by Total Operating Revenue.

Source of Information:
EDGAR Online's I-Metrix Database
Company Annual Forms 10-K

AUS Utility Reports - May 2011
Published By AUS Consultants

Company Provided Information

Capital Intensity of the AUS Utility Reports Companies
2001 - 2010

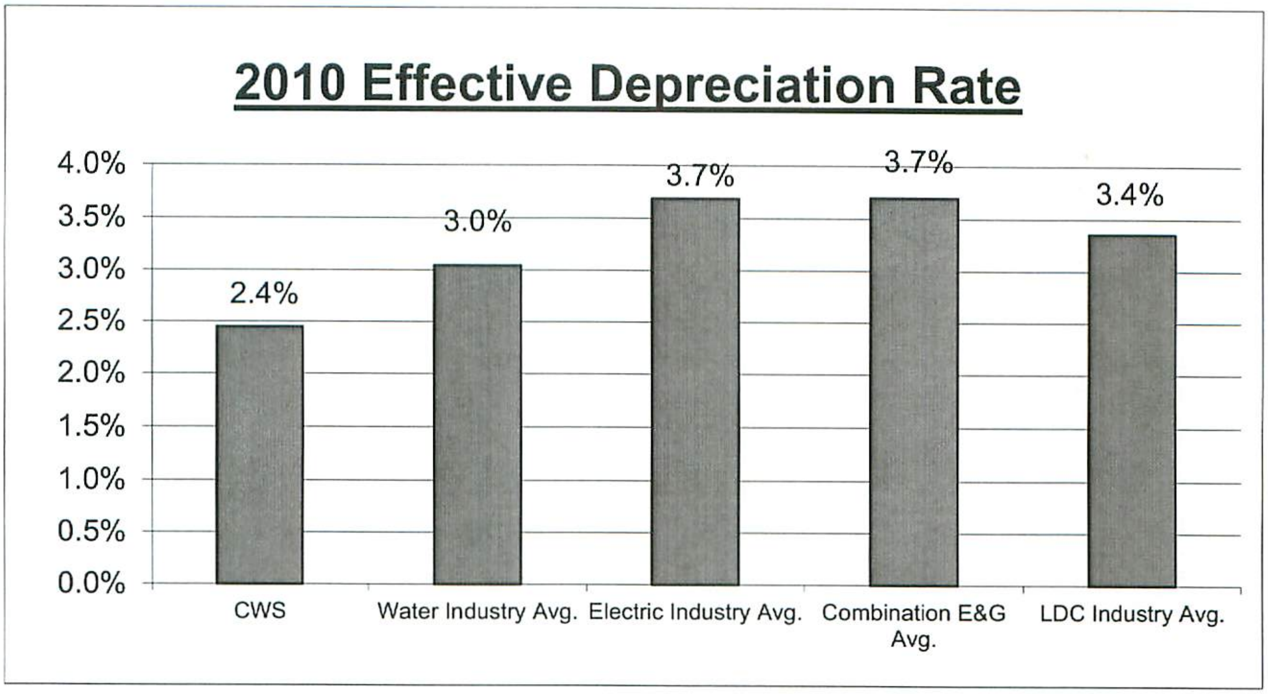


Source of Information: SEC Edgar I-Metrix Online Database

Exhibit No.___
Schedule PMA-2
Page 2 of 5

Carolina Water Service, Inc.
2010 Depreciation Rate of Carolina Water Service, Inc. and
AUS Utility Reports Utility Companies Industry Averages

	Depreciation Depletion & Amort. Expense ($ mill)	Average Total Gross Plant Less CWIP ($ mill)	Depreciation Rate (%)	Depreciation Rate of CWS v. Other Industries (times)
Carolina Water Service, Inc.	$ 0.69	$ 28.02	2.4%	- -
Water Industry Average	$ 61.69	$ 2,024.85	3.0%	80.00%
Electric Industry Average	$ 581.88	$ 15,770.71	3.7%	64.86%
Combination Elec. & Gas Industry Average	$ 541.78	$ 14,632.55	3.7%	64.86%
LDC Gas Distribution Industry Average	$ 132.79	$ 3,952.97	3.4%	70.59%



Notes:

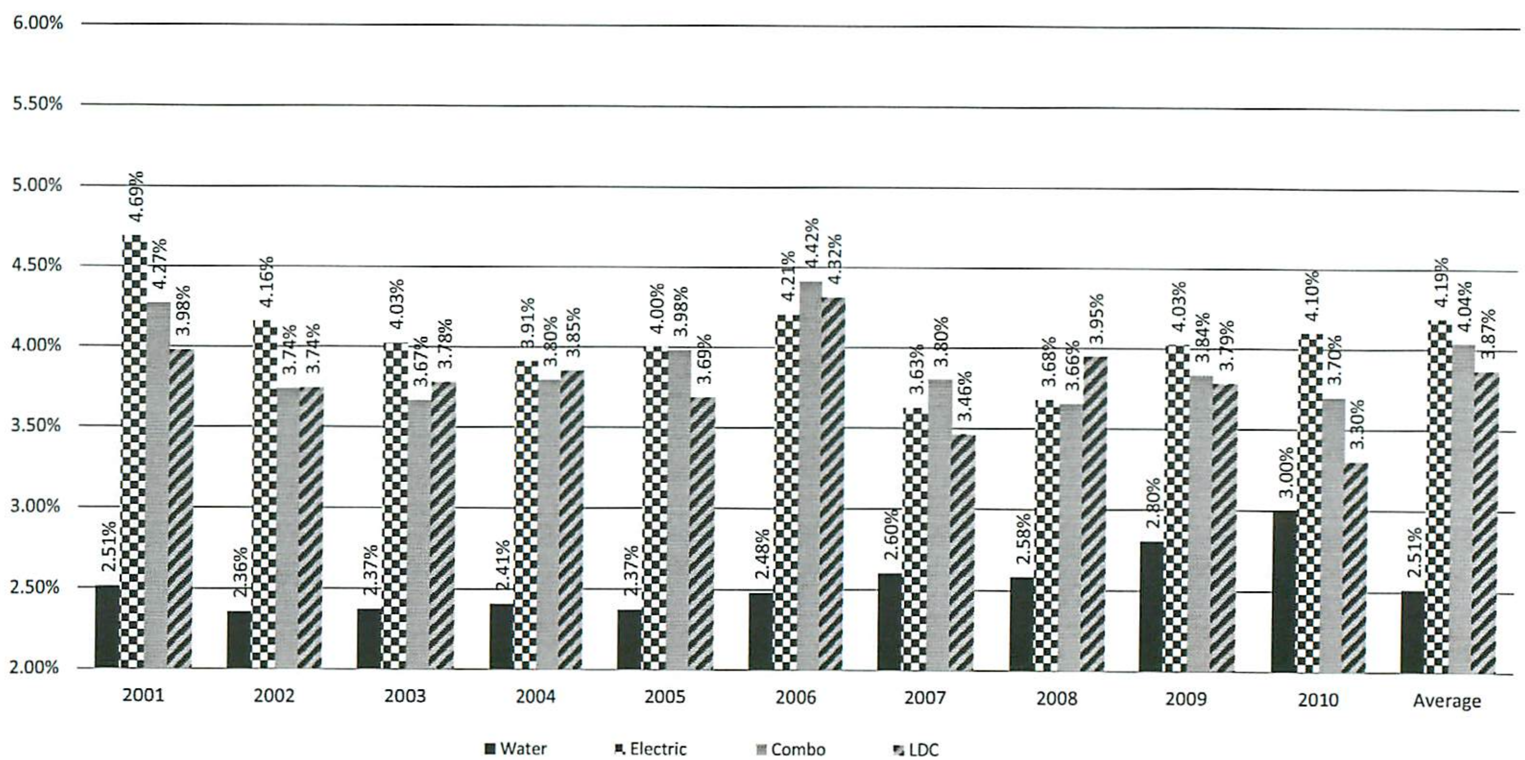
Effective Depreciation Rate is equal to Depreciation, Depletion and Amortization Expense divided by average beginning and ending year's Gross Plant minus Construction Work in Progress.

Source of Information:
EDGAR Online's I-Metrix Database
Company Annual Forms 10-K

AUS Utility Report - May 2011
Published by AUS Consultants

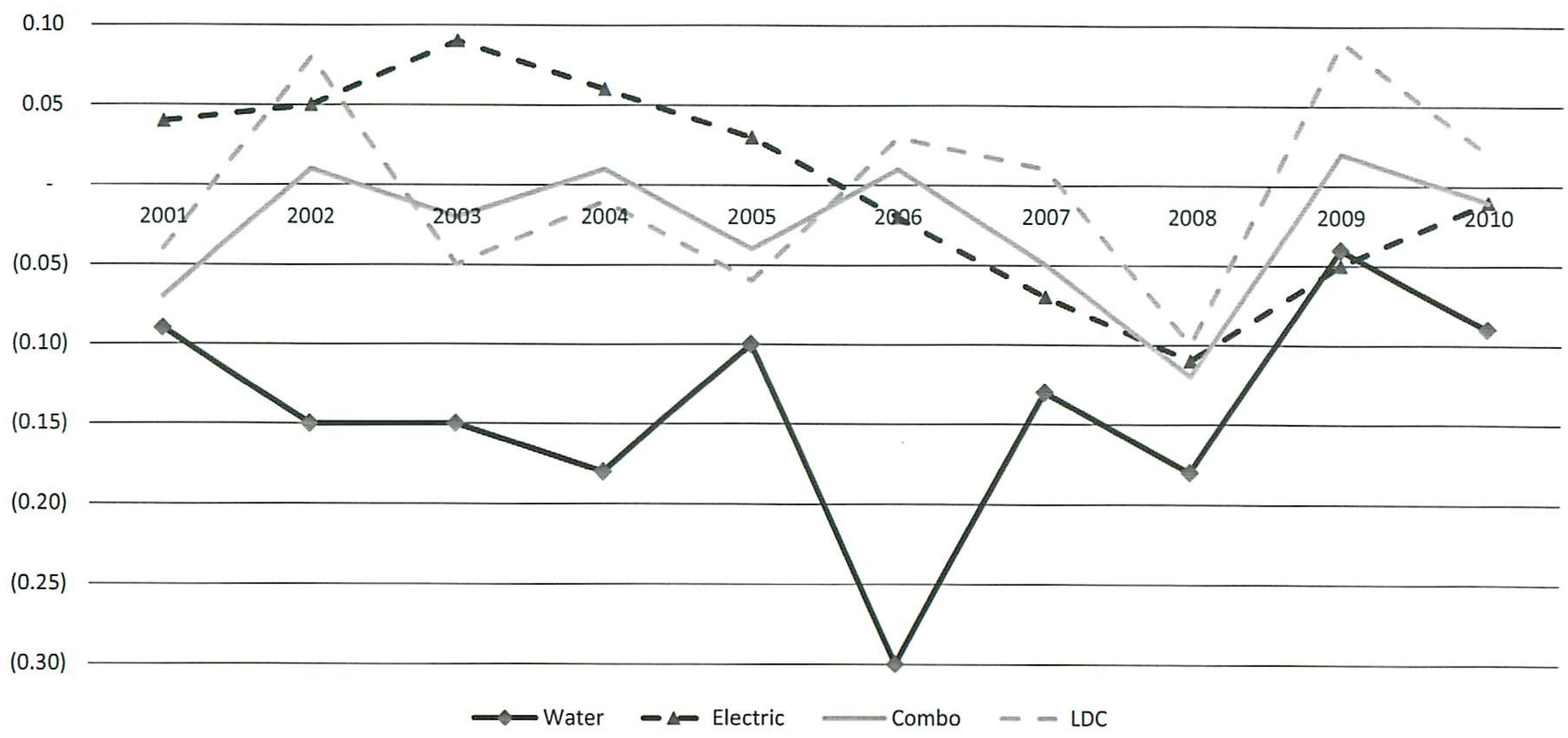
Company Provided Information

Depreciation Rates for the AUS Utility Reports Companies 2001-2010



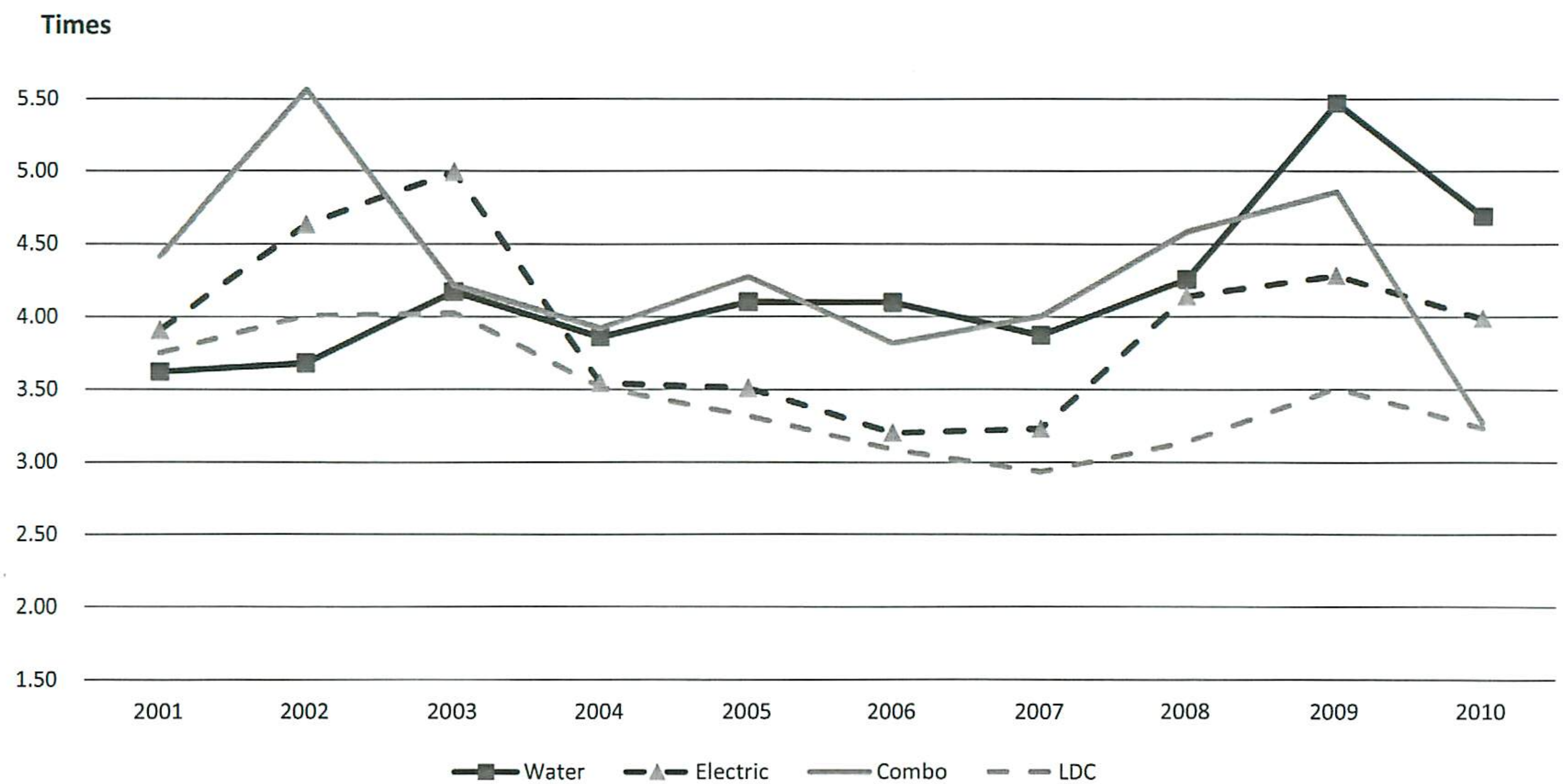
Source of Information: SEC Edgar I-Metrix Online Database

Free Cash Flow / Operating Revenues for the AUS Utility Reports Companies 2001 - 2010



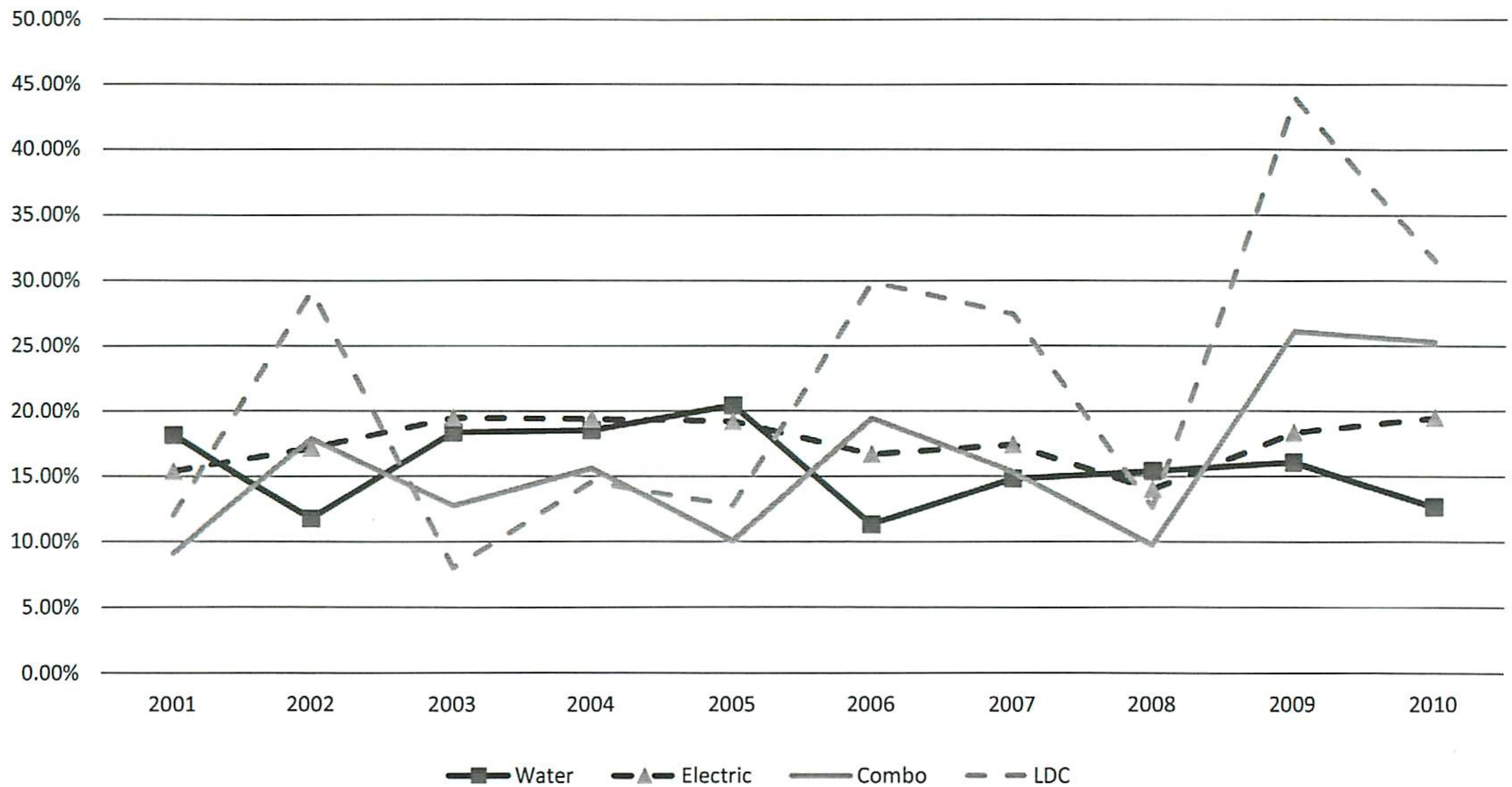
Source of Information: SEC Edgar I-Metrix Online Database

Total Debt / EBITDA for the AUS Utility Reports Companies
2001 - 2010

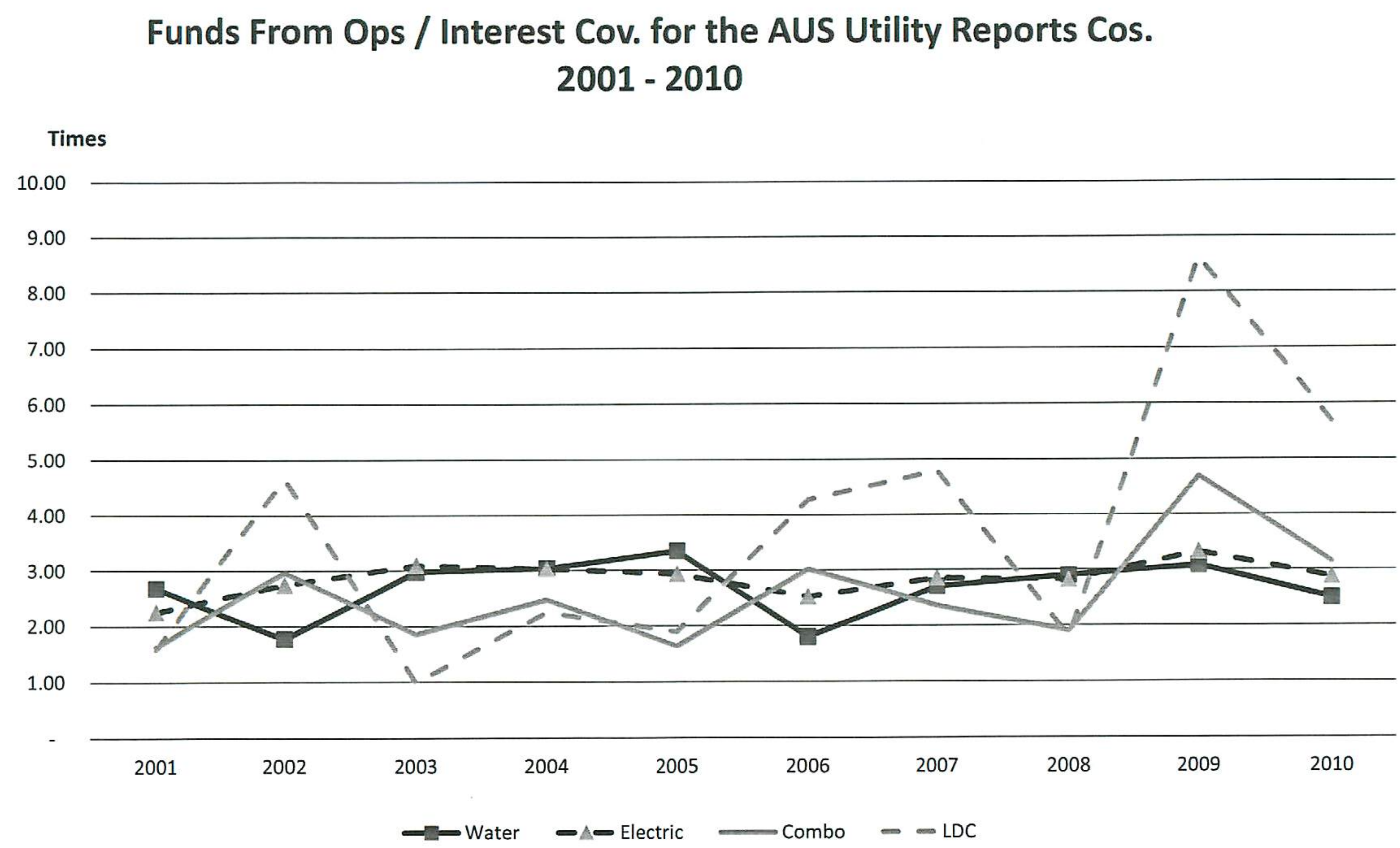


Source of Information: SEC Edgar I-Metrix Online Database

Funds From Ops / Total Debt for the AUS Utility Reports Cos. 2001- 2010

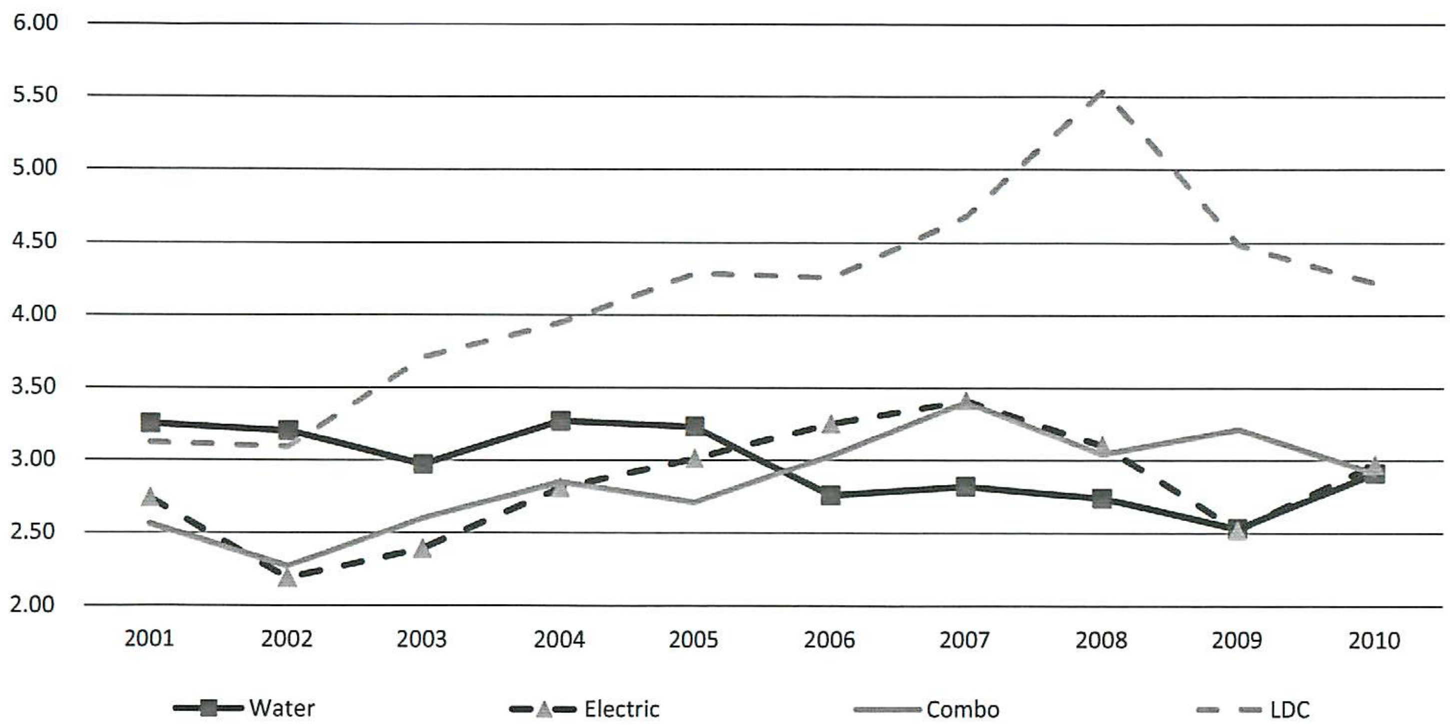


Source of Information: SEC Edgar I-Metrix Online Database



Source of Information: SEC Edgar I-Metrix Online Database

Before-Inc. Tax / Interest Cov. for the AUS Utility Reports Cos.
2001 - 2010



Source of Information: SEC Edgar I-Metrix Online Databae

Exhibit No.___
Schedule PMA-3
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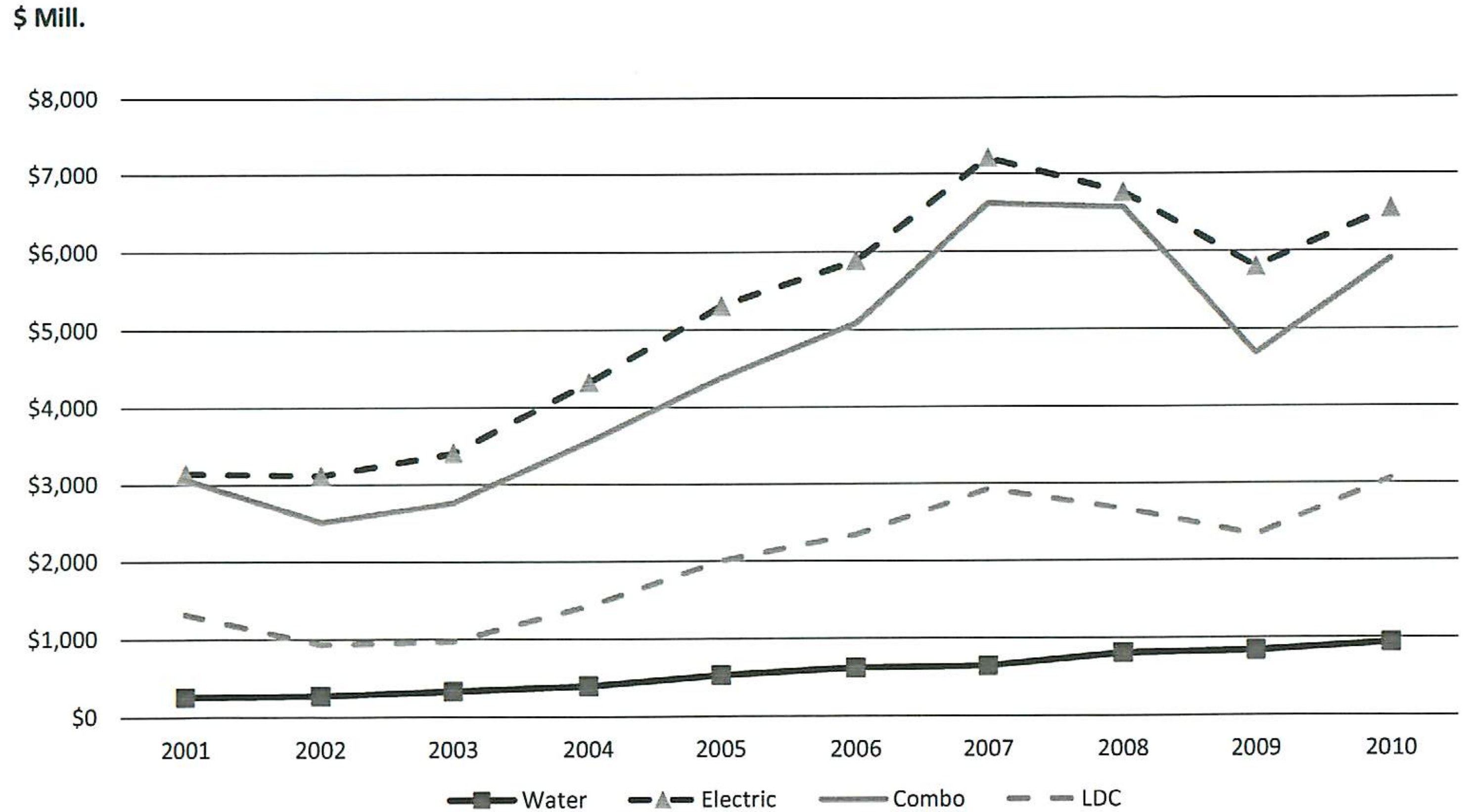
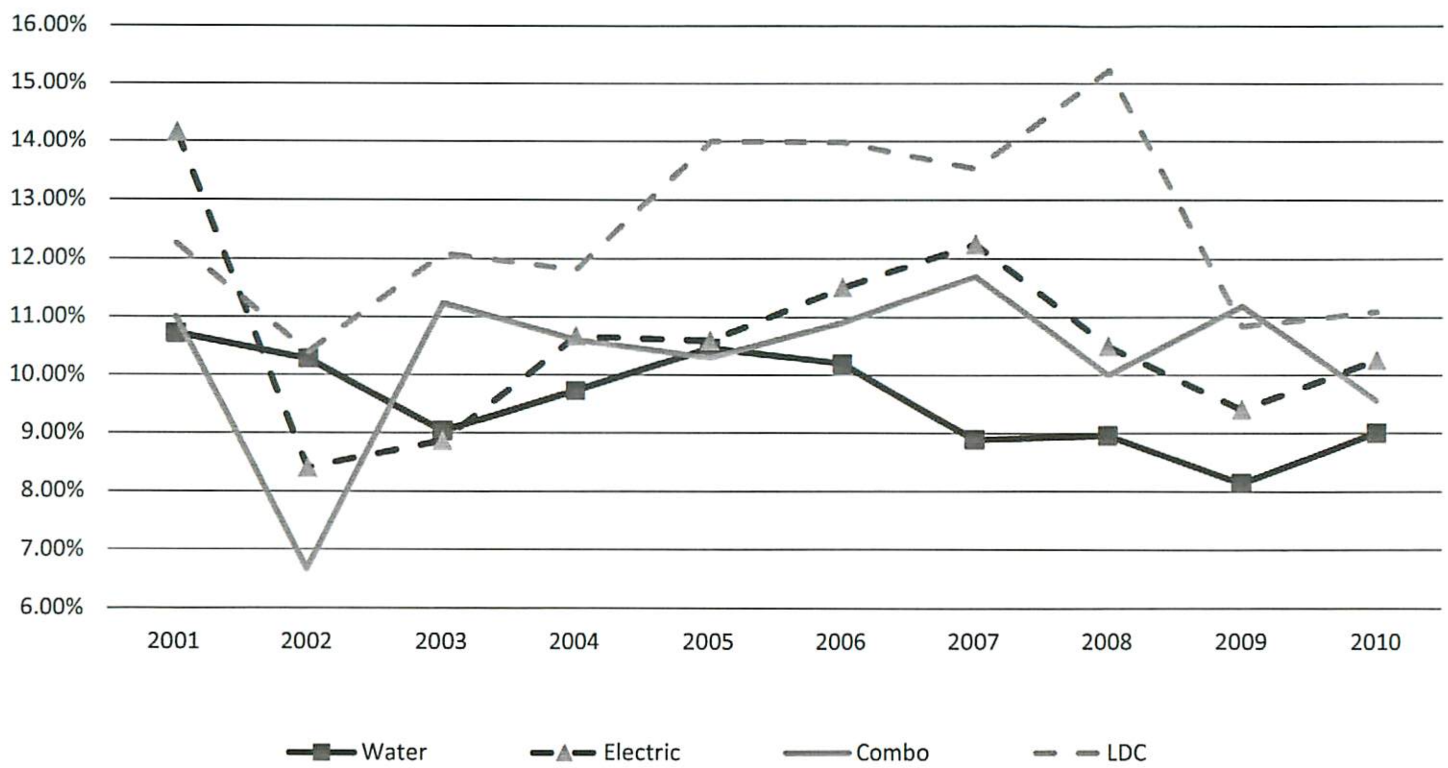
Market Capitalization for the AUS Utility Reports Companies 2001 - 2010

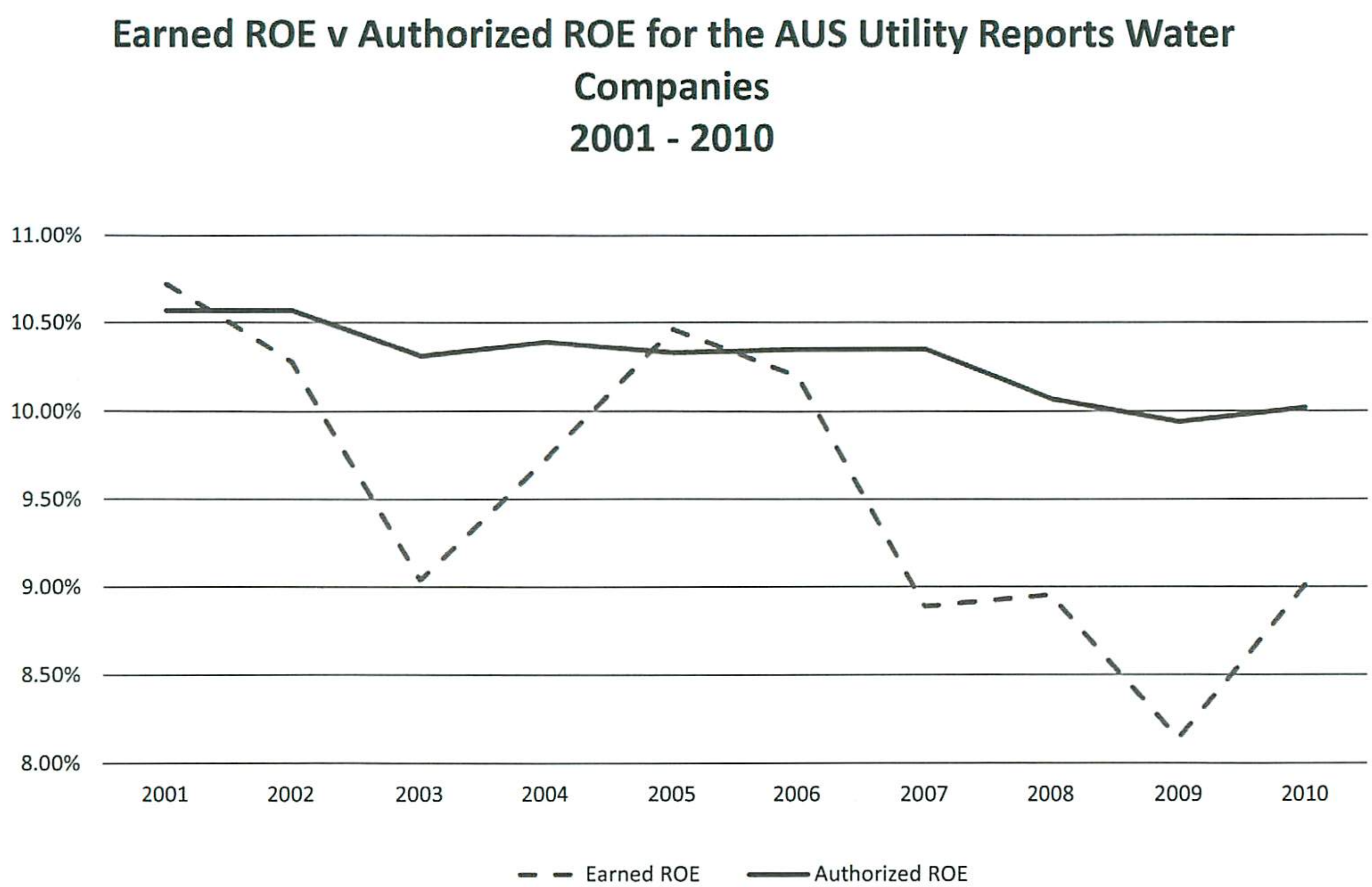


Source of Information: SEC Edgar I-Metrix Online Database

Earned Returns on Common Equity for the AUS Utility Reports Cos.
2001 - 2010

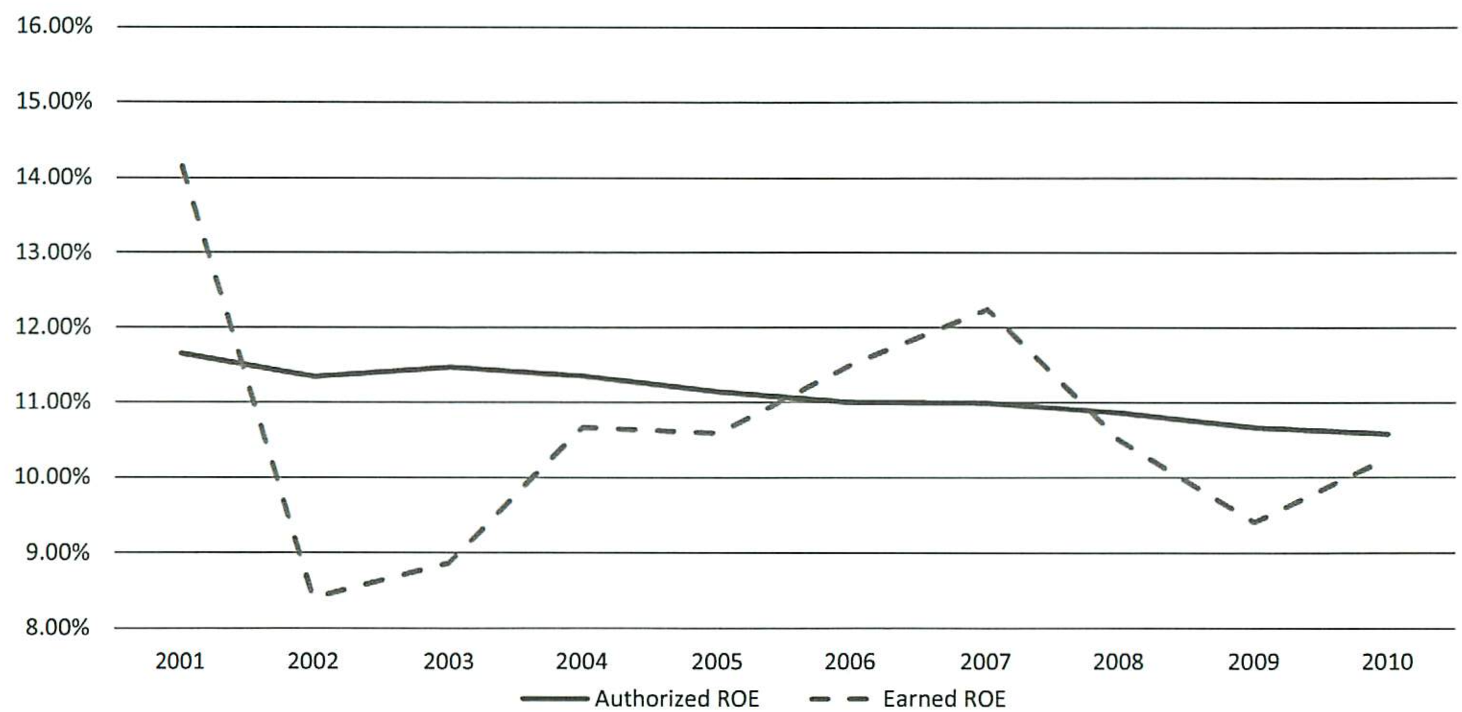


Source of Information: SEC Edgar I-Metrix Online Database



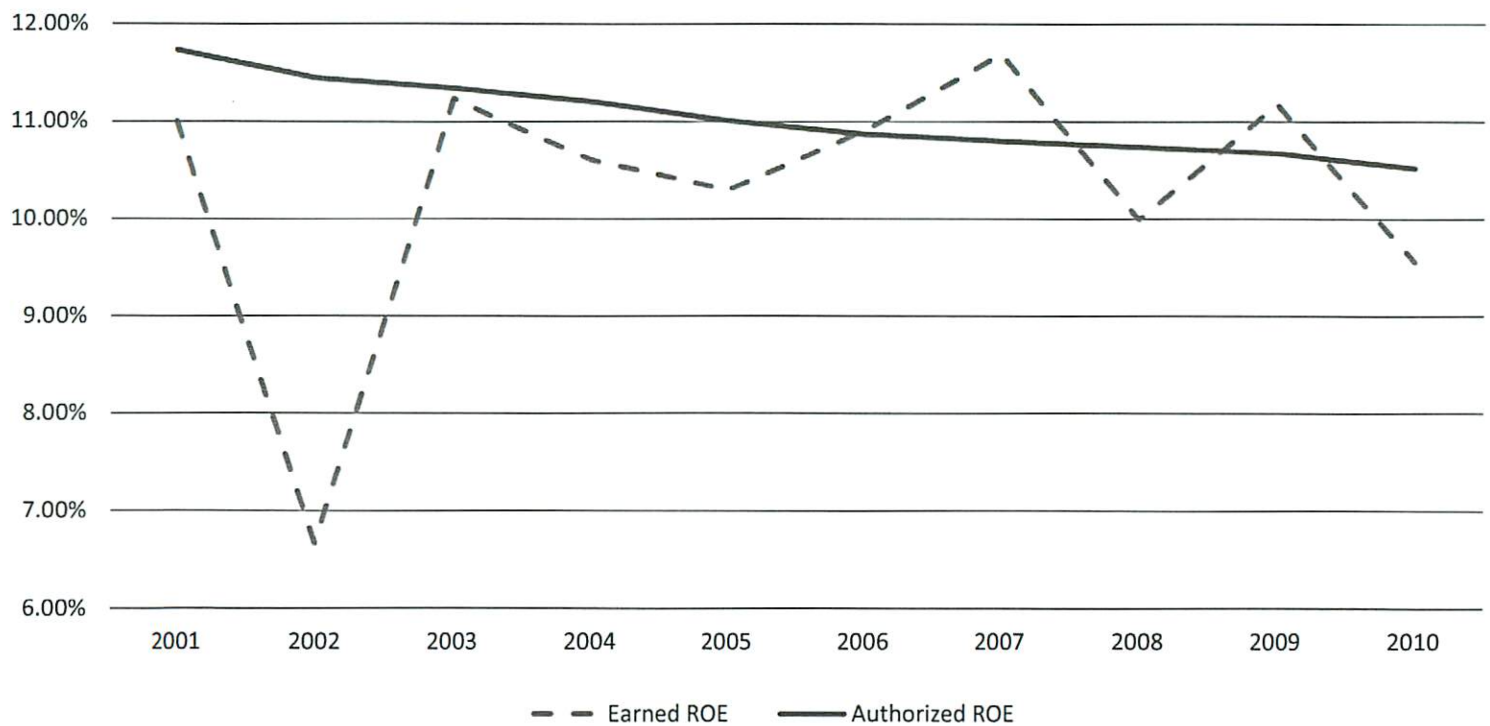
Source of Information: SEC Edgar I-Metrix Online Database & AUS Utility Reports

Earned ROE v Authorized ROE for the AUS Utility Reports Electric Companies 2001 - 2010



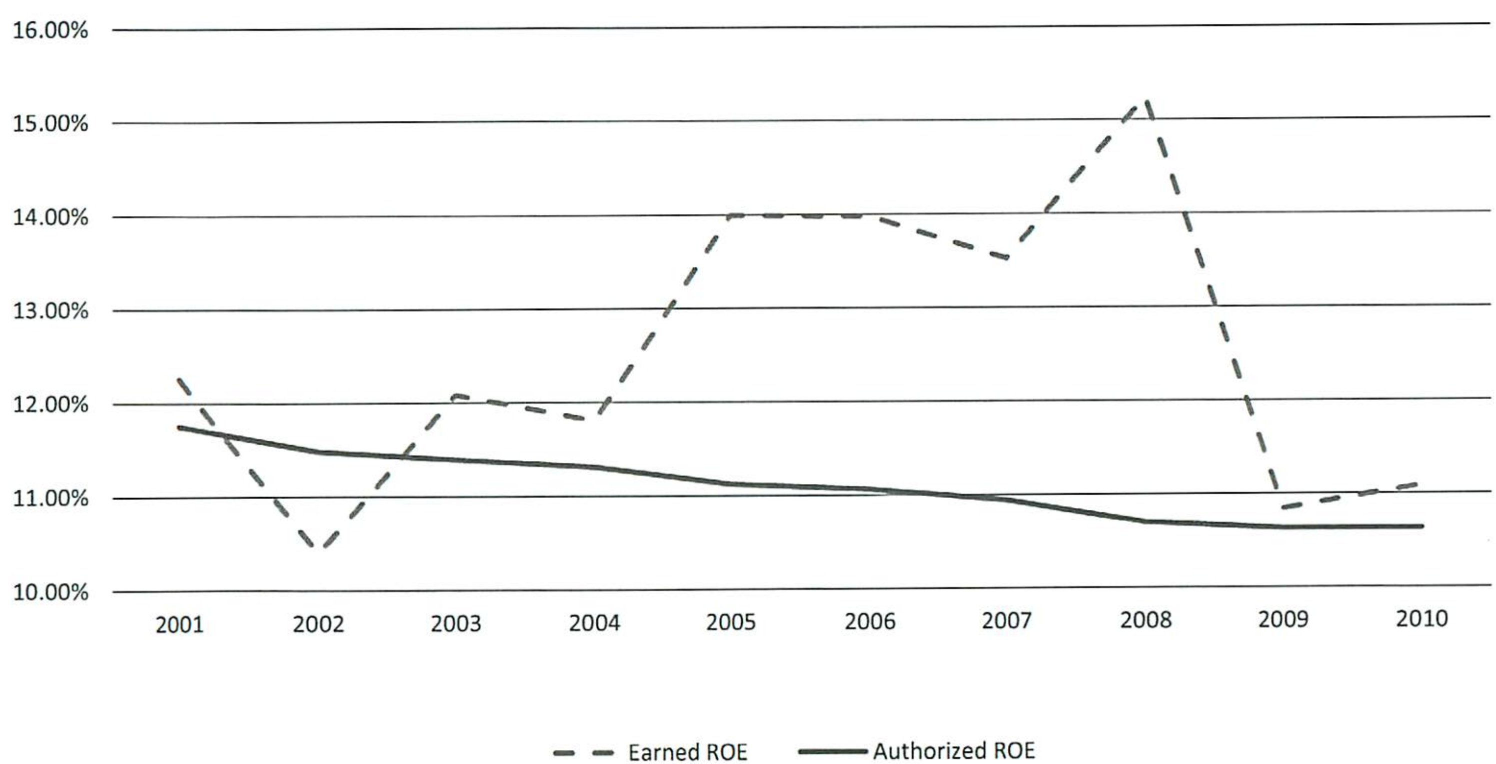
Source of Information: SEC Edgar I-Metrix Online Database & AUS Utility Reports

Earned ROE v Authorized ROE for the AUS Utility Reports Combination Companies 2001 - 2010



Source of Information: SEC Edgar I-Metrix Online Database & AUS Utility Reports

Earned ROE v Authorized ROE for the AUS Utility Reports LDC Companies 2001 - 2010



Source of Information: SEC Edgar I-Metrix Online Database & AUS Utility Reports

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May 27, 2009

Criteria | Corporates | General:

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

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Criteria | Corporates | General:

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

(Editor's Note: In the previous version of this article published on May 26, certain of the rating outcomes in the table 1 matrix were missated. A corrected version follows.)

Standard & Poor's Ratings Services is refining its methodology for corporate ratings related to its business risk/financial risk matrix, which we published as part of 2008 Corporate Ratings Criteria on April 15, 2008, on RatingsDirect at www.ratingsdirect.com and Standard & Poor's Web site at www.standardandpoors.com.

This article amends and supersedes the criteria as published in Corporate Ratings Criteria, page 21, and the articles listed in the "Related Articles" section at the end of this report.

This article is part of a broad series of measures announced last year to enhance our governance, analytics, dissemination of information, and investor education initiatives. These initiatives are aimed at augmenting our independence, strengthening the rating process, and increasing our transparency to better serve the global markets.

We introduced the business risk/financial risk matrix four years ago. The relationships depicted in the matrix represent an essential element of our corporate analytical methodology.

We are now expanding the matrix, by adding one category to both business and financial risks (see table 1). As a result, the matrix allows for greater differentiation regarding companies rated lower than investment grade (i.e., 'BB' and below).

Table 1

Business And Financial Risk Profile Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Excellent	AAA	AA	A	A-	BBB	--
Strong	AA	A	A-	BBB	BB	BB-
Satisfactory	A-	BBB+	BBB	BB+	BB-	B+
Fair	--	BBB-	BB+	BB	BB-	B
Weak	--	--	BB	BB-	B+	B-
Vulnerable	--	--	--	B+	B	CCC+

These rating outcomes are shown for guidance purposes only. Actual rating should be within one notch of indicated rating outcomes.

The rating outcomes refer to issuer credit ratings. The ratings indicated in each cell of the matrix are the midpoints of a range of likely rating possibilities. This range would ordinarily span one notch above and below the indicated rating.

Business Risk/Financial Risk Framework

Our corporate analytical methodology organizes the analytical process according to a common framework, and it divides the task into several categories so that all salient issues are considered. The first categories involve fundamental business analysis; the financial analysis categories follow.

Our ratings analysis starts with the assessment of the business and competitive profile of the company. Two companies with identical financial metrics can be rated very differently, to the extent that their business challenges and prospects differ. The categories underlying our business and financial risk assessments are:

Business risk

- Country risk
- Industry risk
- Competitive position
- Profitability/Peer group comparisons

Financial risk

- Accounting
- Financial governance and policies/risk tolerance
- Cash flow adequacy
- Capital structure/asset protection
- Liquidity/short-term factors

We do not have any predetermined weights for these categories. The significance of specific factors varies from situation to situation.

Updated Matrix

We developed the matrix to make explicit the rating outcomes that are typical for various business risk/financial risk combinations. It illustrates the relationship of business and financial risk profiles to the issuer credit rating.

We tend to weight business risk slightly more than financial risk when differentiating among investment-grade ratings. Conversely, we place slightly more weight on financial risk for speculative-grade issuers (see table 1, again). There also is a subtle compounding effect when both business risk and financial risk are aligned at extremes (i.e., excellent/minimal and vulnerable/highly leveraged.)

The new, more granular version of the matrix represents a refinement--not any change in rating criteria or standards--and, consequently, holds no implications for any changes to existing ratings. However, the expanded matrix should enhance the transparency of the analytical process.

Financial Benchmarks

Table 2

Financial Risk Indicative Ratios (Corporates)			
	FFO/Debt (%)	Debt/EBITDA (x)	Debt/Capital (%)
Minimal	greater than 60	less than 1.5	less than 25
Modest	45-60	1.5-2	25-35
Intermediate	30-45	2-3	35-45
Significant	20-30	3-4	45-50
Aggressive	12-20	4-5	50-60
Highly Leveraged	less than 12	greater than 5	greater than 60

How To Use The Matrix--And Its Limitations

The rating matrix indicative outcomes are what we typically observe--but are not meant to be precise indications or guarantees of future rating opinions. Positive and negative nuances in our analysis may lead to a notch higher or lower than the outcomes indicated in the various cells of the matrix.

In certain situations there may be specific, overarching risks that are outside the standard framework, e.g., a liquidity crisis, major litigation, or large acquisition. This often is the case regarding credits at the lowest end of the credit spectrum--i.e., the 'CCC' category and lower. These ratings, by definition, reflect some impending crisis or acute vulnerability, and the balanced approach that underlies the matrix framework just does not lend itself to such situations.

Similarly, some matrix cells are blank because the underlying combinations are highly unusual--and presumably would involve complicated factors and analysis.

The following hypothetical example illustrates how the tables can be used to better understand our rating process (see tables 1 and 2).

We believe that Company ABC has a satisfactory business risk profile, typical of a low investment-grade industrial issuer. If we believed its financial risk were intermediate, the expected rating outcome should be within one notch of 'BBB'. ABC's ratios of cash flow to debt (35%) and debt leverage (total debt to EBITDA of 2.5x) are indeed characteristic of intermediate financial risk.

It might be possible for Company ABC to be upgraded to the 'A' category by, for example, reducing its debt burden to the point that financial risk is viewed as minimal. Funds from operations (FFO) to debt of more than 60% and debt to EBITDA of only 1.5x would, in most cases, indicate minimal.

Conversely, ABC may choose to become more financially aggressive--perhaps it decides to reward shareholders by borrowing to repurchase its stock. It is possible that the company may fall into the 'BB' category if we view its financial risk as significant. FFO to debt of 20% and debt to EBITDA 4x would, in our view, typify the significant financial risk category.

Still, it is essential to realize that the financial benchmarks are guidelines, neither gospel nor guarantees. They can vary in nonstandard cases: For example, if a company's financial measures exhibit very little volatility, benchmarks may be somewhat more relaxed.

Moreover, our assessment of financial risk is not as simplistic as looking at a few ratios. It encompasses:

- a view of accounting and disclosure practices;
- a view of corporate governance, financial policies, and risk tolerance;
- the degree of capital intensity, flexibility regarding capital expenditures and other cash needs, including acquisitions and shareholder distributions; and
- various aspects of liquidity--including the risk of refinancing near-term maturities.

The matrix addresses a company's standalone credit profile, and does not take account of external influences, which would pertain in the case of government-related entities or subsidiaries that in our view may benefit or suffer from affiliation with a stronger or weaker group. The matrix refers only to local-currency ratings, rather than foreign-currency ratings, which incorporate additional transfer and convertibility risks. Finally, the matrix does not apply to project finance or corporate securitizations.

Related Articles

Industrials' Business Risk/Financial Risk Matrix--A Fundamental Perspective On Corporate Ratings, published April 7, 2005, on RatingsDirect.

Proxy Group of Nine Water Companies
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2006 - 2010, Inclusive

	2010	2009	2008	2007	2006	
			(MILLIONS OF DOLLARS)			
CAPITALIZATION STATISTICS						
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$1,712.951	$1,641.561	$1,537.371	$1,561.064	$1,274.261	
SHORT-TERM DEBT	$53.463	$31.243	$84.104	$37.360	$100.228	
TOTAL CAPITAL EMPLOYED	$1,766.414	$1,672.804	$1,621.475	$1,598.424	$1,374.489	
INDICATED AVERAGE CAPITAL COST RATES (2)						
TOTAL DEBT	5.37 %	5.31 %	5.58 %	6.08 %	7.61 %	
PREFERRED STOCK	1.85	1.85	2.88	2.18	2.04	
CAPITAL STRUCTURE RATIOS						5 YEAR AVERAGE
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	50.97 %	50.80 %	50.35 %	49.46 %	48.48 %	50.01 %
PREFERRED STOCK	0.19	0.21	0.22	0.31	0.46	0.28
COMMON EQUITY	48.84	48.99	49.43	50.23	51.06	49.71
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	53.49 %	53.33 %	53.43 %	50.59 %	50.32 %	52.23 %
PREFERRED STOCK	0.18	0.19	0.21	0.31	0.45	0.27
COMMON EQUITY	46.33	46.48	46.36	49.10	49.23	47.50
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
FINANCIAL STATISTICS						
FINANCIAL RATIOS - MARKET BASED						
EARNINGS / PRICE RATIO	5.92 %	4.33 %	2.90 %	4.95 %	5.29 %	4.68 %
MARKET / AVERAGE BOOK RATIO	161.43	147.98	156.27	198.82	206.08	174.12
DIVIDEND YIELD	3.62	4.03	3.84	3.31	3.31	3.62
DIVIDEND PAYOUT RATIO	66.67	60.06	64.23	63.89	63.02	63.57
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	8.98 %	6.99 %	6.39 %	7.09 %	8.09 %	7.51 %
TOTAL DEBT / EBITDA (3)	4.75 X	5.53 X	9.07 X	5.59 X	4.56 X	5.90 X
FUNDS FROM OPERATIONS / TOTAL DEBT (4)	17.10 %	16.41 %	16.14 %	15.04 %	16.58 %	16.25 %
TOTAL DEBT / TOTAL CAPITAL	53.49 %	53.33 %	53.43 %	50.59 %	50.32 %	52.23 %

Notes:

(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.

(2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.

(3) Total debt as a percentage of EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization).

(4) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges as a percentage of total debt.

Source of Information: I-Metrix Database
Company SEC Form 10-K

Capital Structure Based upon Total Permanent Capital for the
Proxy Group of Nine Water Companies
2006 - 2010, Inclusive

	2010	2009	2008	2007	2006	5 YEAR AVERAGE
American States Water Co.						
Long-Term Debt	44.30 %	46.95 %	46.25 %	46.99 %	48.61 %	46.62 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	55.70	53.05	53.75	53.01	51.39	53.38
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
American Water Works Co., Inc.						
Long-Term Debt	56.73 %	56.98 %	53.75 %	51.05 %	46.93 %	53.08 %
Preferred Stock	0.29	0.30	0.32	0.31	0.06	0.26
Common Equity	42.98	42.72	45.93	48.64	53.01	46.66
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Aqua America, Inc.						
Long-Term Debt	57.05 %	56.59 %	54.21 %	55.88 %	51.55 %	55.06 %
Preferred Stock	0.02	0.02	0.09	0.09	0.10	0.06
Common Equity	42.93	43.39	45.70	44.03	48.35	44.88
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Artesian Resources Corp.						
Long-Term Debt	52.84 %	54.12 %	59.57 %	52.20 %	61.87 %	56.12 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	47.16	45.88	40.43	47.80	38.13	43.88
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
California Water Service Group						
Long-Term Debt	52.51 %	47.93 %	41.88 %	42.86 %	43.47 %	45.73 %
Preferred Stock	0.00	0.00	0.00	0.51	0.51	0.20
Common Equity	47.49	52.07	58.12	56.63	56.02	54.07
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Connecticut Water Service, Inc.						
Long-Term Debt	49.32 %	50.59 %	46.94 %	47.76 %	44.42 %	47.81 %
Preferred Stock	0.34	0.35	0.39	0.44	0.49	0.40
Common Equity	50.34	49.06	52.67	51.80	55.09	51.79
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Middlesex Water Company						
Long-Term Debt	43.91 %	47.35 %	49.10 %	49.48 %	48.78 %	47.72 %
Preferred Stock	1.07	1.24	1.22	1.46	2.95	1.59
Common Equity	55.02	51.41	49.68	49.06	48.27	50.69
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
SJW Corporation						
Long-Term Debt	53.79 %	49.52 %	46.08 %	47.79 %	41.83 %	47.80 %
Preferred Stock	0.00	0.00	0.00	0.01	0.01	0.00
Common Equity	46.21	50.48	53.92	52.20	58.16	52.20
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
York Water Company						
Long-Term Debt	48.28 %	47.16 %	55.31 %	51.17 %	48.82 %	50.15 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	51.72	52.84	44.69	48.83	51.18	49.85
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Proxy Group of Nine Water Companies						
Long-Term Debt	50.97 %	50.80 %	50.35 %	49.46 %	48.48 %	50.01 %
Preferred Stock	0.19	0.21	0.22	0.31	0.46	0.28
Common Equity	48.84	48.99	49.43	50.23	51.06	49.71
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source of Information
EDGAR Online's I-Metrix Database
Annual Forms 10-K

Carolina Water Service, Inc.
Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for
the Proxy Group of Nine Water Companies

	1	2	3	4	5	6	7	8
Proxy Group of Nine Water Companies	Average Dividend Yield (1)	Value Line Projected Five Year Growth in EPS (2)	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
American States Water Co.	3.29 %	8.00 %	5.50 %	- %	5.50 %	6.33 %	3.39 %	9.72 %
American Water Works Co., Inc.	3.02	8.50	11.00	8.70	8.70	9.23	3.16	12.39
Aqua America, Inc.	2.81	10.00	7.20	6.50	6.00	7.43	2.91	10.34
Artesian Resources Corp.	3.99	3.60	4.50	3.60	4.53	4.06	4.07	8.13
California Water Service Group	3.34	3.00	6.30	-	9.00	6.10	3.44	9.54
Connecticut Water Service, Inc.	3.72	4.00	5.50	4.00	3.00	4.13	3.80	7.93
Middlesex Water Company	3.99	3.00	(1.00)	3.00	3.00	2.00	4.03	6.03
SJW Corporation	3.02	9.00	14.00	-	14.00	12.33	3.21	15.54
York Water Company	3.10	6.00	6.00	6.00	6.00	6.00	3.19	9.19
Average								9.87 %
Median								9.54 %

NA= Not Available
NMF = Not Meaningful Figure

Notes:

(1) Indicated dividend at 7/6/2011 divided by the average closing price of the last 60 trading days ending 7/6/2011 for each company.
(2) From pages 2 through 10 of this Schedule.
(3) Average of columns 2 through 5 excluding negative growth rates.
(4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 6) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Co. , 3.29% x (1+(1/2 x 6.33%)) = 3.39%.
(5) Column 6 + column 7.

Source of Information:

Value Line Investment Survey: April 22, 2011
www.reuters.com Downloaded on 07/06/2011
www.zacks.com Downloaded on 07/06/2011
www.yahoo.com Downloaded on 07/06/2011

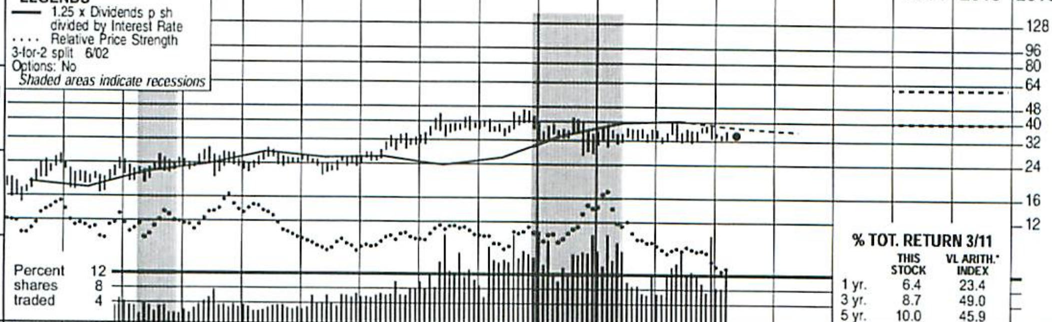
AMER. STATES WATER NYSE-AWR

RECENT PRICE 34.33 | P/E RATIO 14.5 (Trailing: 18.0 Median: 22.0) | RELATIVE P/E RATIO 0.87 | DIV'D YLD 3.0% | VALUE LINE

TIMELINESS 3 Raised 11/19/10
SAFETY 3 New 2/4/00
TECHNICAL 2 Raised 4/8/11
BETA .75 (1.00 = Market)

High:	25.3	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8	39.6	36.4
Low:	16.7	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8	31.2	32.7

Target Price Range 2014 | 2015 | 2016



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+75%)	17%
Low	40	(+15%)	7%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	2	0	0	0	0	0
Options	1	0	0	0	0	1	2	1	0
to Sell	1	0	0	0	1	1	2	0	0

Institutional Decisions

	2Q2010	3Q2010	4Q2010
to Buy	46	53	59
to Sell	55	47	51
Hld's(000)	10863	11195	11086

% TOT. RETURN 3/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	6.4	23.4
3 yr.	8.7	49.0
5 yr.	10.0	45.9

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	19.48	21.41	**21.05**	**22.05**	Revenues per sh	**25.00**
1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.40	4.34	**4.15**	**4.35**	"Cash Flow" per sh	**4.85**
1.03	1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	2.25	**2.10**	**2.20**	Earnings per sh A	**2.60**
.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.01	1.04	**1.08**	**1.12**	Div'd Decl'd per sh B■	**1.25**
2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.18	4.24	**4.15**	**4.35**	Cap'l Spending per sh	**5.00**
10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	19.39	20.26	**20.80**	**20.50**	Book Value per sh	**20.75**
11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.53	18.63	**19.25**	**19.50**	Common Shs Outst'g C	**20.00**
11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.5	*Bold figures are*		Avg Ann'l P/E Ratio	**19.0**
.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.00	*Value Line*		Relative P/E Ratio	**1.25**
6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	*estimates*		Avg Ann'l Div'd Yield	**2.5%**

CAPITAL STRUCTURE as of 12/31/10
Total Debt $361.2 mill. Due in 5 Yrs $296.9 mill.
LT Debt $299.8 mill. LT Interest $21.6 mill.
(LT interest earned: 4.9x: total interest coverage: 4.4x) (44% of Cap'l)

Leases, Uncapitalized: Annual rentals $3.3 mill.

Pension Assets-12/10 $90.2 mill.
Oblig. $118.8 mill.

Pfd Stock None.

Common Stock 18,654,106 shs.
as of 3/9/11
MARKET CAP: $650 million (Small Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
197.5	209.2	212.7	228.0	236.2	268.6	301.4	318.7	361.0	398.9	**405**	**430**	Revenues ($mill)	**500**
20.4	20.3	11.9	16.5	22.5	23.1	28.0	26.8	29.5	42.7	**40.0**	**43.0**	Net Profit ($mill)	**52.0**
43.0%	38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	42.6%	**42.0%**	**40.0%**	Income Tax Rate	**40.0%**
--	--	--	--	--	12.2%	8.5%	6.9%	3.2%	**5.0%**	**5.0%**	**5.0%**	AFUDC % to Net Profit	**5.0%**
54.9%	52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	**43.0%**	**45.0%**	Long-Term Debt Ratio	**49.5%**
44.7%	48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	**57.0%**	**55.0%**	Common Equity Ratio	**50.5%**
447.6	444.4	442.3	480.4	532.5	551.6	569.4	577.0	665.0	677.4	**700**	**725**	Total Capital ($mill)	**825**
539.8	563.3	602.3	664.2	713.2	750.6	776.4	825.3	866.4	905.2	**950**	**1000**	Net Plant ($mill)	**1150**
6.1%	6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	**7.5%**	**7.5%**	**7.5%**	Return on Total Cap'l	**8.0%**
10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.3%	**11.0%**	**11.0%**	Return on Shr. Equity	**12.5%**
10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.3%	**11.0%**	**11.0%**	Return on Com Equity	**12.5%**
3.6%	3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	6.2%	**5.0%**	**5.5%**	Retained to Com Eq	**6.5%**
65%	65%	113%	84%	67%	67%	58%	64%	61%	45%	**52%**	**51%**	All Div'ds to Net Prof	**48%**

CURRENT POSITION ($MILL.)	2008	2009	12/31/10
Cash Assets	7.3	1.7	4.2
Other	83.3	94.3	200.8
Current Assets	90.6	96.0	205.0
Accts Payable	36.6	33.9	36.2
Debt Due	75.3	18.1	61.4
Other	25.5	47.7	81.2
Current Liab.	137.4	99.7	178.8
Fix. Chg. Cov.	293%	352%	*441%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	4.5%	6.0%	*4.5%*
"Cash Flow"	5.0%	8.0%	*5.5%*
Earnings	4.0%	8.5%	*8.0%*
Dividends	1.5%	2.5%	*3.5%*
Book Value	4.5%	5.0%	*3.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	68.9	80.3	85.3	84.2	318.7
2009	79.6	93.6	101.5	86.3	361.0
2010	88.4	95.5	111.3	103.7	398.9
2011	**93.0**	**102**	**115**	**95.0**	**405**
2012	**95.0**	**110**	**125**	**100**	**430**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.30	.53	.26	.43	1.55
2009	.28	.64	.52	.18	1.62
2010	.45	.47	.62	.71	2.25
2011	**.45**	**.55**	**.65**	**.45**	**2.10**
2012	**.47**	**.58**	**.69**	**.46**	**2.20**

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.235	.235	.235	.250	.96
2008	.250	.250	.250	.250	1.00
2009	.250	.250	.250	.260	1.01
2010	.260	.260	.260	.260	1.04
2011	.260				

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Acquired Chaparral City Water of Arizona (10/00). Has 703 employees. Officers & directors own 2.6% of common stock (4/10 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

Favorable regulatory backing enabled American States Water to have a blowout fourth quarter. Indeed, the water utility posted earnings of $0.71 a share, nearly four times the year-before tally. Revenues jumped 20%, to $103.7 million, thanks to the recognition of retroactive revenues from earlier in the year associated with rate increases handed down by the California Public Utilities Commission (CPUC) in regard to general rate cases for Regions II and III.

Growth will be tough to come by this year due to the stiffer comparisons . . . Although the benefits were all realized in the final quarter of the year, the CPUC's ruling added $0.30 a share to the bottom line for the full-year 2010. AWR is subject to regulatory rulings so the gain is considered typical and not looked at as a nonrecurring. But we do not expect a similar occurrence this year.

. . . as well as the continued escalation of infrastructure costs. AWR's operating costs remain on the rise and are not likely to slow anytime soon, given that its water systems are growing older and require attention. Its pockets are all but empty, however, and the company will have to continue to seek outside financiers to stay afloat. Debt and equity issuances have become commonplace, and will likely remain a drag on earnings growth going forward. As a result, we look for share earnings to take a step back this year and to show modest improvement in 2012. That said, the company is slated to file a general rate case for all three regions in July of this year. A ruling is expected to take 18 months. A favorable verdict could prove our 2012 estimate conservative.

Capital projects are likely to remain a longer-term concern too. There is no end in sight to the infrastructure investment that is necessary. This industry is capital intensive, but unfortunately AWR is cash-strapped. As a result, the stock does not stand out for price appreciation potential for the coming six to 12 months or the 3 to 5 years ahead. The financial constraints lead to concerns about the company's dividend, which despite being above the average offering in our *Survey,* loses some luster when compared to other utilities.

Andre J. Costanza *April 22, 2011*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢); '10, (55¢). Next earnings report due early May. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	70
Earnings Predictability	85

AMERICAN WATER NYSE-AWK

RECENT PRICE 27.90 | P/E RATIO 16.8 (Trailing: 18.1 Median: NMF) | RELATIVE P/E RATIO 1.01 | DIV'D YLD 3.2% | VALUE LINE

TIMELINESS 1 New 10/22/10
SAFETY 3 New 7/25/08
TECHNICAL 4 Lowered 3/11/11
BETA .65 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+80%)	18%
Low	35	(+25%)	9%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2010	3Q2010	4Q2010
to Buy	134	146	145
to Sell	107	93	119
Hld's(000)	154379	149349	145430

LEGENDS
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions

	2008	2009	2010	2011
High:	23.7	23.0	25.8	28.9
Low:	16.5	16.2	19.4	25.2

Percent shares traded 21 14 7

Target Price Range
2014 | 2015 | 2016
80 60 50 40 30 25 20 15 10 7.5

% TOT. RETURN 3/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	33.7	23.4
3 yr.	—	49.0
5 yr.	—	45.9

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
--	--	--	--	--	--	--	--	--	--	--	13.08	13.84	14.61	13.98	15.49	16.10	16.35	Revenues per sh	17.95
--	--	--	--	--	--	--	--	--	--	--	.65	d.47	2.87	2.89	3.56	3.50	3.80	"Cash Flow" per sh	4.10
--	--	--	--	--	--	--	--	--	--	--	d.97	d2.14	1.10	1.25	1.53	1.70	1.80	Earnings per sh A	2.10
--	--	--	--	--	--	--	--	--	--	--	--	--	.40	.82	.86	.90	.94	Div'd Decl'd per sh B	1.10
--	--	--	--	--	--	--	--	--	--	--	4.31	4.74	6.31	4.50	4.38	4.30	4.25	Cap'l Spending per sh	4.20
--	--	--	--	--	--	--	--	--	--	--	23.86	28.39	25.64	22.91	23.59	23.60	23.40	Book Value per sh D	23.60
--	--	--	--	--	--	--	--	--	--	--	160.00	160.00	160.00	174.63	175.00	180.00	185.00	Common Shs Outst'g C	195.00
--	--	--	--	--	--	--	--	--	--	--	--	--	18.9	15.6	14.6	Bold figures are		Avg Ann'l P/E Ratio	20.0
--	--	--	--	--	--	--	--	--	--	--	--	--	1.14	1.04	.94	Value Line		Relative P/E Ratio	1.35
--	--	--	--	--	--	--	--	--	--	--	--	--	1.9%	4.2%	3.8%	estimates		Avg Ann'l Div'd Yield	2.6%
						--	--	--	--	--	2093.1	2214.2	2336.9	2440.7	2710.7	2875	3025	Revenues ($mill)	3500
						--	--	--	--	--	d155.8	d342.3	187.2	209.9	267.8	300	330	Net Profit ($mill)	410
						--	--	--	--	--	--	--	37.4%	37.9%	40.4%	39.0%	38.5%	Income Tax Rate	38.0%
						--	--	--	--	--	--	--	--	12.5%	10.0%	10.0%	10.0%	AFUDC % to Net Profit	15.0%
						--	--	--	--	--	56.1%	50.9%	53.1%	56.9%	56.8%	56.5%	56.5%	Long-Term Debt Ratio	56.5%
						--	--	--	--	--	43.9%	49.1%	46.9%	43.1%	43.2%	43.5%	43.5%	Common Equity Ratio	43.5%
						--	--	--	--	--	8692.8	9245.7	8750.2	9289.0	9561.3	9850	10100	Total Capital ($mill)	10600
						--	--	--	--	--	8720.6	9318.0	9991.8	10524	11059	11450	11875	Net Plant ($mill)	13150
						--	--	--	--	--	NMF	NMF	3.7%	3.8%	4.4%	4.5%	5.0%	Return on Total Cap'l	5.5%
						--	--	--	--	--	NMF	NMF	4.6%	5.2%	6.5%	7.0%	7.5%	Return on Shr. Equity	9.0%
						--	--	--	--	--	NMF	NMF	4.6%	5.2%	6.5%	7.0%	7.5%	Return on Com Equity	9.0%
						--	--	--	--	--	NMF	NMF	3.0%	1.8%	2.8%	3.5%	3.5%	Retained to Com Eq	4.5%
						--	--	--	--	--	--	--	34%	65%	56%	54%	53%	All Div'ds to Net Prof	52%

CAPITAL STRUCTURE as of 12/31/10
Total Debt $5478.3 mill. **Due in 5 Yrs** $201.9 mill.
LT Debt $5433.5 mill. **LT Interest** $315.0 mill.
(Total interest coverage: 2.4x) (57% of Cap'l)

Leases, Uncapitalized: Annual rentals $25.7 mill.
Pension Assets-12/10 $861.0 mill
Oblig. $1285.5 mill.
Pfd Stock $23.9 mill. **Pfd Div'd** NMF

Common Stock 175,211,592 shs.
as of 2/22/11

MARKET CAP: $4.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2008	2009	12/31/10
Cash Assets	9.5	22.3	13.1
Other	408.2	476.8	521.2
Current Assets	417.7	499.1	534.3
Accts Payable	149.8	138.6	199.2
Debt Due	654.8	173.6	44.8
Other	300.2	295.2	530.5
Current Liab.	1104.8	607.4	774.5
Fix. Chg. Cov.	197%	210%	237%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	--	--	3.5%
"Cash Flow"	--	--	5.0%
Earnings	--	--	8.5%
Dividends	--	--	8.0%
Book Value	--	--	-.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	506.8	589.4	672.2	568.5	2336.9
2009	550.2	612.7	680.0	597.8	2440.7
2010	588.1	671.2	786.9	664.5	2710.7
2011	620	715	820	725	2875
2012	650	750	865	760	3025

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.04	.28	.55	.23	1.10
2009	.19	.32	.52	.21	1.25
2010	.18	.42	.71	.23	1.53
2011	.22	.46	.75	.27	1.70
2012	.24	.49	.79	.28	1.80

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	--	--	--	--	--
2008	--	--	.20	.20	.40
2009	.20	.20	.21	.21	.82
2010	.21	.21	.22	.22	.86
2011	.22				

BUSINESS: American Water Works Company, Inc. is the largest investor-owned water and wastewater utility in the U.S., providing services to over 15 million people in over 30 states and Canada. Its nonregulated business assists municipalities and military bases with the maintenance and upkeep as well. Regulated operations made up over 89% of 2010 revenues. New Jersey is its biggest market accounting for over 19% of revenues. Has roughly 7,000 employees. Depreciation rate, 2.5% in '10. BlackRock, Inc., owns 6.9% of the common stock outstanding. Off. & dir. own less than 1%. President & CEO; Jeffrey Sterba. Chairman; George Mackenzie. Address: 1025 Laurel Oak Road, Voorhees, NJ 08043. Telephone: 856-346-8200. Internet: www.amwater.com.

American Water Works closed out a healthy 2010 campaign in solid, albeit not as strong as we predicted, fashion. The country's biggest water utility posted share earnings of $0.23, 10% better than the year before, but half of what we were anticipating. Revenues advanced a slower-than-expected 11%, to roughly $665 million, benefiting from new rate awards and greater military demand.

We look for growth to continue slowing this year. The high end of management's earnings guidance ($1.65 to $1.75 a share) appears a little too bullish in our opinion, given the tough comparisons and the continuously rising costs of doing business in this space. Indeed, infrastructure expenses are likely to remain on an upswing, as many systems are decaying and in need of significant, if not complete, overhauls. American is not exactly flush with cash though and will need to look to outside financiers to foot the bill. The increased debt load and/or higher share count will dilute share-net gains.

We have introduced our 2012 estimates with similar trends in mind. True, American continues to make inroads with military bases, and these nonregulated ventures should remain profitable, but the company remains for all intents and purposes, a heavily regulated business. Although regulatory commissions have been far more-business friendly of late, there is no way of getting around the need to maintain the nation's waterways and pipelines. These infrastructure costs, and the associated financing expenses, ought to keep share-earnings growth in single-digit territory next year and thereafter out to mid-decade.

These shares are ranked 1 (Highest) for Timeliness, thanks to recent share-price momentum. They have been on a steady climb upward since last summer, and are up nearly 30% in all.

This issue looks to be undervalued according to our projections. Despite the financial constraints we envision, price appreciation potential out to mid-decade is on par with the *Value Line* average. Traction in nonregulated areas ought to help pick up some of the slack. Meanwhile, the dividend adds to the issue's 3- to 5-year total-return appeal.

Andre J. Costanza *April 22, 2011*

(A) Diluted earnings. Excludes nonrecurring gains (losses): '08, ($4.62); '09, ($2.63). Discontinued operations: '06, (4¢).
Next earnings report due early May. Quarterly earnings may not sum due to rounding.
(B) Dividends to be paid in February, May, August, and November. ■ Div. reinvestment available.
(C) In millions.
(D) Includes intangibles. In 2010: $1.251 billion, $7.15/share.

Company's Financial Strength	B
Stock's Price Stability	85
Price Growth Persistence	NMF
Earnings Predictability	10

AQUA AMERICA NYSE-WTR

RECENT PRICE	21.94	P/E RATIO	23.8 (Trailing: 24.4 / Median: 25.0)	RELATIVE P/E RATIO	1.43	DIV'D YLD	2.8%	VALUE LINE

TIMELINESS 3 Lowered 1/21/11
SAFETY 3 Lowered 8/1/03
TECHNICAL 3 Raised 4/8/11
BETA .65 (1.00 = Market)

2014-16 PROJECTIONS	Price	Gain	Ann'l Total Return
High	35	(+60%)	15%
Low	25	(+15%)	3%

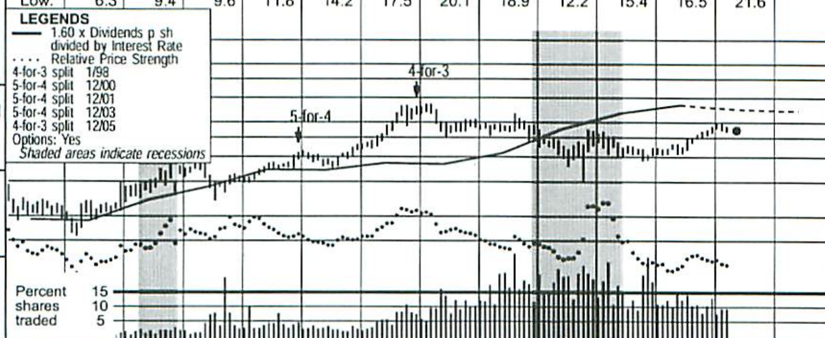
Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	1	0	0	0	1	0	0	0	0
Options	0	0	0	0	2	1	0	1	1
to Sell	0	0	3	0	2	1	1	1	0

Institutional Decisions

	2Q2010	3Q2010	4Q2010
to Buy	92	90	101
to Sell	119	101	94
Hld's(000)	60654	59791	55463

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	12.0	14.8	15.0	16.8	18.5	29.2	29.8	26.6	22.0	21.5	23.0	23.8	
Low:	6.3	9.4	9.6	11.8	14.2	17.5	20.1	18.9	12.2	15.4	16.5	21.6	



Target Price Range
2014 | 2015 | 2016
64
48
40
32
24
20
16
12
8
6

% TOT. RETURN 3/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	34.2	23.4
3 yr.	33.5	49.0
5 yr.	-6.1	45.9

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	4.91	5.26	*5.60*	*5.90*	Revenues per sh	*6.80*
.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	1.78	*1.85*	*1.95*	"Cash Flow" per sh	*2.35*
.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	.90	*.95*	*1.05*	Earnings per sh A	*1.35*
.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	*.63*	*.67*	Div'd Decl'd per sh B■	*.79*
.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.08	2.37	*2.45*	*1.55*	Cap'l Spending per sh	*2.80*
2.46	2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.12	8.51	*8.75*	*9.10*	Book Value per sh	*10.50*
63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.49	137.97	*138.90*	*139.90*	Common Shs Outst'g C	*142.90*
12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	*Bold figures are*		Avg Ann'l P/E Ratio	*21.0*
.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.36	*Value Line*		Relative P/E Ratio	*1.40*
6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	*estimates*		Avg Ann'l Div'd Yield	*2.5%*

CAPITAL STRUCTURE as of 12/31/10
Total Debt $1560.4 mill. **Due in 5 Yrs** $316 mill.
LT Debt $1531.9 mill. **LT Interest** $70.6 mill.
(LT interest earned: 4.5x; total interest coverage: 4.5x) (57% of Cap'l)

Pension Assets-12/10 $159.2 mill. **Oblig.** $234.9 mill.

Pfd Stock None

Common Stock 137,968,188 shares as of 2/11/11

MARKET CAP: $3.0 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
307.3	322.0	367.2	442.0	496.8	533.5	602.5	627.0	670.5	726.1	*775*	*825*	Revenues ($mill)	*975*
58.5	62.7	67.3	80.0	91.2	92.0	95.0	97.9	104.4	124.0	*130*	*145*	Net Profit ($mill)	*190*
39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
--	--	--	--	--	--	--	--	2.9%	3.1%	*2.5%*	*2.5%*	AFUDC % to Net Profit	*1.5%*
52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	*56.0%*	*56.0%*	Long-Term Debt Ratio	*54.0%*
47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	*44.0%*	*44.0%*	Common Equity Ratio	*46.0%*
990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	*2790*	*2880*	Total Capital ($mill)	*3210*
1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	*3640*	*3815*	Net Plant ($mill)	*4395*
7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	*6.0%*	*6.5%*	Return on Total Cap'l	*7.5%*
12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	*11.0%*	*11.5%*	Return on Shr. Equity	*13.0%*
12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	*11.0%*	*11.5%*	Return on Com Equity	*13.0%*
5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	*3.5%*	*4.0%*	Retained to Com Eq	*5.5%*
59%	59%	59%	57%	56%	63%	67%	70%	72%	65%	*67%*	*64%*	All Div'ds to Net Prof	*59%*

CURRENT POSITION ($MILL.)	2008	2009	12/31/10
Cash Assets	14.9	21.9	5.9
Receivables	84.5	78.7	85.9
Inventory (AvgCst)	9.8	9.5	9.2
Other	11.8	11.5	44.4
Current Assets	121.0	121.6	145.4
Accts Payable	50.0	57.9	45.3
Debt Due	87.9	87.0	28.5
Other	55.3	56.1	149.9
Current Liab.	193.2	201.0	223.7
Fix. Chg. Cov.	329%	346%	290%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	8.0%	7.5%	*6.5%*
"Cash Flow"	8.5%	8.0%	*8.0%*
Earnings	6.5%	4.5%	*10.0%*
Dividends	7.5%	8.0%	*6.0%*
Book Value	9.0%	7.0%	*5.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	139.3	151.0	177.1	159.6	627.0
2009	154.5	167.3	180.8	167.9	670.5
2010	160.5	178.4	207.8	179.3	726.0
2011	*180*	*185*	*215*	*195*	*775*
2012	*195*	*200*	*230*	*200*	*825*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.11	.17	.26	.19	.73
2009	.14	.19	.25	.20	.77
2010	.16	.22	.32	.20	.90
2011	*.16*	*.22*	*.34*	*.23*	*.95*
2012	*.18*	*.24*	*.36*	*.27*	*1.05*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.115	.115	.125	.125	.48
2008	.125	.125	.125	.135	.51
2009	.135	.135	.135	.145	.55
2010	.145	.145	.145	.155	.59
2011	.155				

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '10: residential, 59.4%; commercial, 14.5%; industrial & other, 26.0%. Officers and directors own 2.0% of the common stock (4/11 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America is slated to improve steadily in 2011. Earnings growth is likely to be driven by purchases, as well as future favorable rate rulings.

Acquisitions remain the backbone of growth. With its strong balance sheet, Aqua America is poised to continue growth via purchases this year. Though no concrete details are known at this time, we do anticipate seeing a string of transactions, similar to the previous year.

Rate rulings should provide an additional boost to the bottom line. The company has implemented a rate recovery program, with most of its rate cases likely to receive favorable rulings. It already has several major cases on the horizon, though there have not been any filings. States that the company plans to file in include Pennsylvania, New Jersey, Ohio, Illinois, and Texas. In the best-case scenario, the increase in revenues should boost the bottom lines from 2012 onward.

The Marcellus Shale project provides many growth opportunities. The company has already implemented a new program of "water stations" to fill the trucks that service the drillers in Marcellus Shale. As the drilling requires significant water use, we expect drilling-related water consumption to increase in the future, adding to the revenue stream. Furthermore as the Marcellus Shale is set to provide impetus to many states that the company serves, we anticipate organic growth to increase over the next few years.

Long-term prospects look bright for Aqua America. It looks ever likely that the company will benefit both from acquisition-driven growth and organic growth. Finally, Aqua America's diversification into other sectors continues. It is looking at three to four more solar operations this year, and is quite likely to ramp up production from 2012 onward, as these projects are turning out to be quite profitable in the near and long term. The company is also cutting down on costs, which should aid in boosting the bottom line over the next few years.

Income investors should find this issue of interest. This equity's dividend yield is well above the industry average. Furthermore, the company has a history of steady dividend increases.

Sahana Zutshi *April 22, 2011*

(A) Diluted egs. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Earnings may not add due to rounding. Next earnings report due mid-May.
(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	100

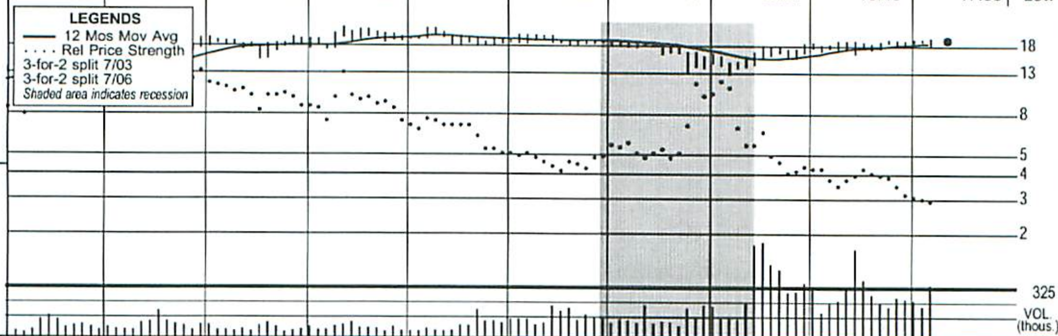
ARTESIAN RES. CORP. NDQ--ARTNA

RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
19.42	19.4	1.06	3.9%	VALUE LINE

RANKS											
High	15.38	19.83	20.04	22.62	22.33	20.67	19.31	18.73	19.59	19.99	High
Low	11.00	13.08	15.18	17.20	17.90	18.26	13.00	12.81	16.43	17.88	Low

PERFORMANCE 3 Average
Technical 3 Average
SAFETY 2 Above Average
BETA .60 (1.00 = Market)

Financial Strength B+
Price Stability 100
Price Growth Persistence 45
Earnings Predictability 90



© VALUE LINE PUBLISHING LLC	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011/2012
SALES PER SH	5.97	6.20	6.67	7.52	7.77	7.20	7.59	8.11	8.48	
"CASH FLOW" PER SH	1.27	1.28	1.42	1.56	1.75	1.57	1.65	1.84	1.92	
EARNINGS PER SH	.76	.64	.72	.84	.97	.90	.86	.97	1.00	*1.07 A,B/1.15 C*
DIV'DS DECL'D PER SH	.52	1.06	1.11	1.16	.61	.66	.71	.72	.75	
CAP'L SPENDING PER SH	3.18	4.20	4.82	3.35	5.08	3.66	6.09	2.32	2.57	
BOOK VALUE PER SH	8.84	9.01	9.26	9.60	10.15	11.66	11.86	12.15	12.44	
COMMON SHS OUTST'G (MILL)	5.79	5.85	5.93	6.02	6.09	7.30	7.40	7.51	7.65	
AVG ANN'L P/E RATIO	17.3	24.7	25.4	23.5	20.3	21.5	20.1	16.4	18.2	*18.1/16.9*
RELATIVE P/E RATIO	.94	1.41	1.34	1.24	1.10	1.14	1.21	1.09	1.17	
AVG ANN'L DIV'D YIELD	3.9%	6.7%	6.1%	5.9%	3.1%	3.4%	4.1%	4.5%	4.1%	
SALES ($MILL)	34.6	36.3	39.6	45.3	47.3	52.5	56.2	60.9	64.9	*Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.*
OPERATING MARGIN	99.6%	--	--	100.0%	45.6%	45.6%	45.1%	46.9%	46.5%	
DEPRECIATION ($MILL)	3.2	3.6	4.0	4.4	4.6	5.2	5.8	6.6	7.0	
NET PROFIT ($MILL)	4.2	3.9	4.4	5.0	6.1	6.3	6.4	7.3	7.6	
INCOME TAX RATE	40.4%	37.9%	39.6%	39.9%	39.0%	39.8%	40.8%	40.1%	40.0%	
NET PROFIT MARGIN	12.0%	10.8%	11.1%	11.1%	12.8%	11.9%	11.4%	11.9%	11.7%	
WORKING CAP'L ($MILL)	2.4	d10.5	d8.7	d1.8	d8.8	2.5	d20.9	d23.3	d27.9	
LONG-TERM DEBT ($MILL)	64.0	80.6	82.4	92.4	92.1	91.8	107.6	106.0	105.1	
SHR. EQUITY ($MILL)	51.3	52.7	54.9	57.8	61.8	85.1	87.8	91.2	95.1	
RETURN ON TOTAL CAP'L	5.6%	4.5%	5.1%	5.3%	5.8%	5.3%	4.7%	5.2%	5.6%	
RETURN ON SHR. EQUITY	8.1%	7.4%	8.0%	8.7%	9.8%	7.4%	7.3%	8.0%	8.0%	
RETAINED TO COM EQ	2.8%	1.4%	2.1%	2.7%	3.8%	2.1%	1.4%	2.1%	2.0%	
ALL DIV'DS TO NET PROF	65%	81%	74%	69%	61%	71%	81%	74%	75%	

[A]No. of analysts changing earn. est. in last 9 days: 0 up, 0 down, consensus 5-year earnings growth 3.6% per year. [B]Based upon 3 analysts' estimates. [C]Based upon 3 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	3.5%	4.5%
"Cash Flow"	5.0%	4.0%
Earnings	5.0%	3.0%
Dividends	-8.0%	4.5%
Book Value	5.5%	2.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/08	12.3	13.9	15.7	14.3	56.2
12/31/09	13.9	15.4	16.1	15.5	60.9
12/31/10	15.0	16.0	18.0	15.9	64.9
12/31/11					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/07	.18	.19	.37	.14	.90
12/31/08	.13	.21	.35	.17	.86
12/31/09	.22	.27	.28	.20	.97
12/31/10	.22	.24	.38	.16	1.00
12/31/11	*.21*	*.25*	*.37*		

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2008	.172	.178	.178	.178	.71
2009	.178	.178	.178	.187	.72
2010	.187	.188	.188	.189	.75
2011	.197				

INSTITUTIONAL DECISIONS

	2Q'10	3Q'10	4Q'10
to Buy	26	17	23
to Sell	15	20	21
Hld's(000)	2151	2148	2190

ASSETS ($mill.)	2008	2009	12/31/10
Cash Assets	2.9	.5	.2
Receivables	7.8	9.0	5.1
Inventory	1.1	1.2	1.2
Other	1.7	2.5	7.5
Current Assets	13.5	13.2	14.0
Property, Plant & Equip, at cost	386.5	403.0	414.6
Accum Depreciation	58.8	64.9	69.2
Net Property	327.7	338.1	345.4
Other	7.5	7.6	12.1
Total Assets	348.7	358.9	371.5
LIABILITIES ($mill.)			
Accts Payable	4.6	3.7	3.4
Debt Due	22.6	27.7	30.6
Other	7.2	5.1	7.9
Current Liab	34.4	36.5	41.9

LONG-TERM DEBT AND EQUITY as of 12/31/10

Total Debt $135.7 mill. **Due in 5 Yrs.** $35.3 mill.
LT Debt $105.1 mill.
Including Cap. Leases None
(52% of Cap'l)

Leases, Uncapitalized Annual rentals $.1 mill.

Pension Liability $.5 mill. in '10 vs. $.7 mill. in '09

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 7,649,435 shares
(48% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Artesian Resources Corporation, through its subsidiaries, provides water, wastewater and other services on the Delmarva Peninsula. The company distributes and sells water, including water for public and private fire protection, to residential, commercial, industrial, municipal and utility customers throughout the states of Delaware, Maryland and Pennsylvania. It also provides wastewater services to customers in Delaware and has entered into purchase agreements to provide wastewater services in the State of Maryland. In addition, Artesian provides contract water and wastewater operations, water and sewer Service Line Protection Plans, wastewater management services, and design, construction and engineering services. Artesian Resources is the parent holding company of Artesian Water Company, Inc., Artesian Water Pennsylvania, Inc., Artesian Water Maryland, Inc., Artesian Wastewater Management, Inc., Artesian Wastewater Maryland, Inc. and three other entities. Has 238 employees. Chairman, C.E.O. & President: Dian C. Taylor. Address: 664 Churchmans Rd., Newark, DE 19702. Tel.: 302 453-6900. Internet: http://www.artesianwater.com. *W.T.*

April 22, 2011

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 3/31/2011

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
3.86%	4.22%	14.86%	19.74%	6.44%

CALIFORNIA WATER NYSE-CWT

RECENT PRICE 36.39 | P/E RATIO 18.8 (Trailing: 20.1 / Median: 22.0) | RELATIVE P/E RATIO 1.12 | DIV'D YLD 3.4% | VALUE LINE

TIMELINESS 4 Lowered 3/4/11
SAFETY 3 Lowered 7/27/07
TECHNICAL 3 Lowered 11/12/10
BETA .70 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	31.4	28.6	26.9	31.4	37.9	42.1	45.8	45.4	46.6	48.3	39.7	38.3
Low:	21.5	22.9	20.5	23.7	26.1	31.2	32.8	34.2	27.7	33.5	33.8	34.6

Target Price Range 2014 | 2015 | 2016

2014-16 PROJECTIONS

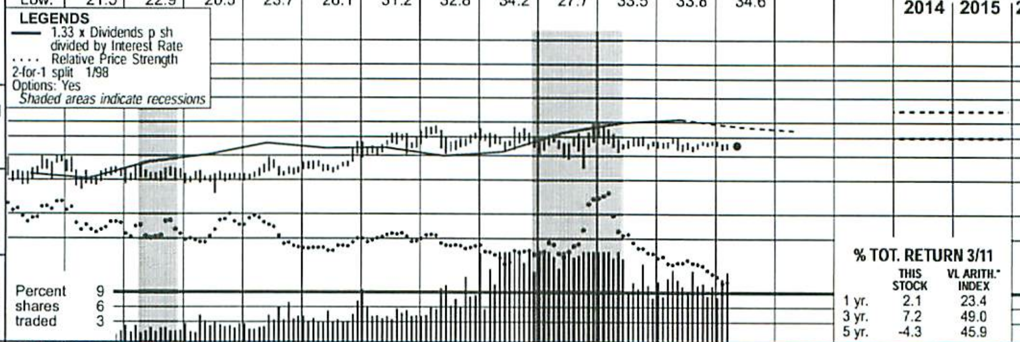
	Price	Gain	Ann'l Total Return
High	55	(+50%)	14%
Low	40	(10%)	6%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	1	0	0	0	0	0
Options	0	0	0	0	2	0	1	0	0
to Sell	1	0	0	0	0	0	1	0	0

Institutional Decisions

	2Q2010	3Q2010	4Q2010
to Buy	43	53	62
to Sell	72	53	48
Hld's(000)	8640	9706	10125



% TOT. RETURN 3/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	2.1	23.4
3 yr.	7.2	49.0
5 yr.	-4.3	45.9

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
13.17	14.48	15.48	14.76	15.96	16.16	16.26	17.33	16.37	17.18	17.44	16.20	17.76	19.80	21.64	22.10	**21.75**	**21.00**	Revenues per sh	**23.15**
2.07	2.50	2.92	2.60	2.75	2.52	2.20	2.65	2.51	2.83	3.03	2.71	3.12	3.72	3.87	3.86	**4.00**	**3.90**	"Cash Flow" per sh	**4.05**
1.17	1.51	1.83	1.45	1.53	1.31	.94	1.25	1.21	1.46	1.47	1.34	1.50	1.90	1.95	1.81	**2.00**	**2.15**	Earnings per sh A	**2.35**
1.02	1.04	1.06	1.07	1.09	1.10	1.12	1.12	1.12	1.13	1.14	1.15	1.16	1.17	1.18	1.19	**1.23**	**1.27**	Div'd Decl'd per sh B ■	**1.38**
2.17	2.83	2.61	2.74	3.44	2.45	4.09	5.82	4.39	3.73	4.01	4.28	3.68	4.82	5.33	5.95	**5.55**	**5.20**	Cap'l Spending per sh	**5.55**
11.72	12.22	13.00	13.38	13.43	12.90	12.95	13.12	14.44	15.66	15.79	18.15	18.50	19.44	20.26	20.91	**20.85**	**22.80**	Book Value per sh C	**23.70**
12.54	12.62	12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	18.39	20.66	20.67	20.72	20.77	20.83	**23.00**	**25.00**	Common Shs Outst'g D	**27.00**
13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	*Bold figures are*		Avg Ann'l P/E Ratio	**20.0**
.92	.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.30	*Value Line*		Relative P/E Ratio	**1.35**
6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	*estimates*		Avg Ann'l Div'd Yield	**2.9%**

CAPITAL STRUCTURE as of 12/31/10
Total Debt $505.3 mill. Due in 5 Yrs $43.9 mill.
LT Debt $479.2 mill. LT Interest $27.9 mill.

(LT interest earned: 3.4x; total int. cov.: 3.2x)

Pension Assets-12/10 $139.0 mill.
Oblig. $269.9 mill.

Pfd Stock None

Common Stock 20,833,303 shs.
as of 2/24/11

MARKET CAP: $750 million (Small Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
246.8	263.2	277.1	315.6	320.7	334.7	367.1	410.3	449.4	460.4	**500**	**525**	Revenues ($mill) E	**650**
14.4	19.1	19.4	26.0	27.2	25.6	31.2	39.8	40.6	37.7	**47.5**	**52.0**	Net Profit ($mill)	**63.0**
39.4%	39.7%	39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	**39.0%**	**39.0%**	Income Tax Rate	**39.0%**
--	--	10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	**10.0%**	**10.0%**	AFUDC % to Net Profit	**10.0%**
50.3%	55.3%	50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	**50.0%**	**47.0%**	Long-Term Debt Ratio	**49.0%**
48.8%	44.0%	49.1%	50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	**50.0%**	**53.0%**	Common Equity Ratio	**51.0%**
402.7	453.1	498.4	565.9	568.1	670.1	674.9	690.4	794.9	914.7	**975**	**1070**	Total Capital ($mill)	**1250**
624.3	697.0	759.5	800.3	862.7	941.5	1010.2	1112.4	1198.1	1294.3	**1370**	**1350**	Net Plant ($mill)	**1625**
5.3%	5.9%	5.6%	6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	**6.5%**	**6.5%**	Return on Total Cap'l	**7.0%**
7.2%	9.4%	7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	**10.0%**	**9.0%**	Return on Shr. Equity	**10.0%**
7.2%	9.5%	7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	**10.0%**	**9.0%**	Return on Com Equity	**10.0%**
NMF	1.0%	.7%	2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	**4.5%**	**3.5%**	Retained to Com Eq	**4.0%**
119%	90%	91%	77%	78%	86%	77%	61%	60%	66%	**57%**	**61%**	All Div'ds to Net Prof	**59%**

CURRENT POSITION ($MILL.)	2008	2009	12/31/10
Cash Assets	13.9	9.9	42.3
Other	65.9	82.3	83.9
Current Assets	79.8	92.2	126.2
Accts Payable	45.1	43.7	39.5
Debt Due	42.8	25.0	26.1
Other	35.3	41.7	41.7
Current Liab.	123.2	110.4	107.3
Fix. Chg. Cov.	398%	430%	390%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	3.0%	4.5%	1.5%
"Cash Flow"	4.0%	6.5%	1.0%
Earnings	3.0%	6.5%	3.0%
Dividends	1.0%	1.0%	2.5%
Book Value	4.5%	5.5%	2.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	72.9	105.6	131.7	100.1	410.3
2009	86.6	116.7	139.2	106.9	449.4
2010	90.3	118.3	146.3	105.5	460.4
2011	**95.0**	**130**	**160**	**115**	**500**
2012	**100**	**135**	**170**	**120**	**525**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.01	.48	1.06	.35	1.90
2009	.12	.58	.94	.31	1.95
2010	.10	.50	.98	.23	1.81
2011	**.11**	**.55**	**1.05**	**.29**	**2.00**
2012	**.12**	**.60**	**1.11**	**.32**	**2.15**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.290	.290	.290	.290	1.16
2008	.293	.293	.293	.293	1.17
2009	.295	.295	.295	.295	1.18
2010	.2975	.2975	.2975	.2975	1.19
2011	.3075				

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 470,200 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '10: residential, 72%; business, 20%; public authorities, 4%; industrial, 4%. '10 reported depreciation rate: 2.3%. Has roughly 1,127 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson (4/11 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

We look for California Water Service Group to bounce back nicely this year. The water utility disappointed in the fourth quarter of 2010, reporting earnings of $0.23 a share, well below the year-earlier mark and estimates. The top line dipped 1%, as the net effect of WRAM and the MCBA resulted in a decrease of $2.9 million in revenue. These usage of these methodologies added $5.2 million to the books in the same period last year. But there should not be any lagging effects with the transition to a three year general rate case cycle in California now in the rear view mirror. In fact, the regulatory landscape ought to be complementary after the California Public Utilities Commission recently approved CWT's rate case authorizing the company to recognize an additional $25 million in annualized revenues and another $8 million in funds to be obtained at the conclusion of certain projects. With that, we look for a 10% share-net advance in 2011, despite the rising costs of doing business (see below).

Growth will likely taper off in 2012 and thereafter, however. U.S. water infrastructures are extremely capital-intensive. Costs of maintenance are adding up as many systems require significant investment. CWT is reasonably cash-strapped, though, and will probably have to continue seeking outside financing. Though necessary, such ventures come at a price, and the initiatives will probably cause earnings growth to begin slowing.

We do not recommend this issue to most. The financing costs should weigh on shareholder gains for the foreseeable future. Although the steadily increasing dividend is a boon, it is not enough to make up for the lack of earnings power in our opinion. There are better income vehicles out there, especially in the Electric Utilities Industry. We also worry that the dearth of cash on hand could potentially affect the dividend payout if the operating environment remains so capital intensive. It should be noted that CWT announced a 2-for-1 stock split and a stock offering that looks to be contingent upon approval of the former action. If granted shareholder approval, both are slated to go through in June. Our presentation does not account for the split at this time.

Andre J. Costanza *April 22, 2011*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (7¢); '01, 4¢; '02, 8¢. Next earnings report due April 28th.
(B) Dividends historically paid in early Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '10: $2.2 mill., $0.11/sh.
(D) In millions, adjusted for split.
(E) Excludes non-reg. rev.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	70
Earnings Predictability	85

CONN. WATER SERVICES NDQ--CTWS

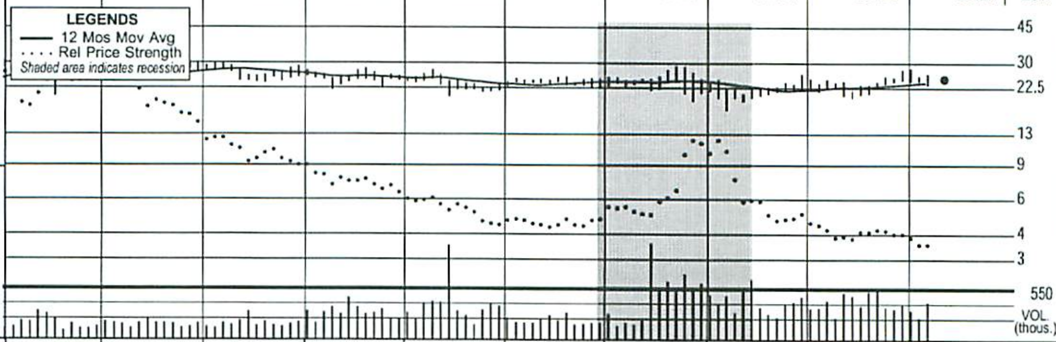
RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
25.01	22.1	1.21	3.7%

VALUE LINE

RANKS

PERFORMANCE	3	Average
Technical	3	Average
SAFETY	2	Above Average
BETA .80		(1.00 = Market)
Financial Strength		B+
Price Stability		95
Price Growth Persistence		25
Earnings Predictability		80

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High	31.09	30.41	29.76	28.17	27.71	25.61	28.95	26.44	27.90	28.27
Low	20.35	24.00	23.83	21.91	20.29	22.40	19.26	17.31	20.00	23.27



© VALUE LINE PUBLISHING LLC	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011/2012
SALES PER SH	5.77	5.91	6.04	5.81	5.68	7.05	7.24	6.93	7.65	
"CASH FLOW" PER SH	1.78	1.89	1.91	1.62	1.52	1.90	1.95	1.93	2.04	
EARNINGS PER SH	1.12	1.15	1.16	.88	.81	1.05	1.11	1.19	1.13	***1.20*** [A,B]***/1.24*** [C]
DIV'DS DECL'D PER SH	.81	.83	.84	.85	.86	.87	.88	.90	.92	
CAP'L SPENDING PER SH	1.98	1.49	1.58	1.96	1.96	2.24	2.44	3.28	3.06	
BOOK VALUE PER SH	10.06	10.46	10.94	11.52	11.60	11.95	12.23	12.67	13.05	
COMMON SHS OUTST'G (MILL)	7.94	7.97	8.04	8.17	8.27	8.38	8.46	8.57	8.68	
AVG ANN'L P/E RATIO	24.3	23.5	22.9	28.6	29.0	23.0	22.2	18.4	20.7	***20.8/20.2***
RELATIVE P/E RATIO	1.33	1.34	1.21	1.51	1.57	1.22	1.34	1.22	1.33	
AVG ANN'L DIV'D YIELD	3.0%	3.0%	3.1%	3.4%	3.6%	3.6%	3.6%	4.1%	3.9%	
SALES ($MILL)	45.8	47.1	48.5	47.5	46.9	59.0	61.3	59.4	66.4	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
OPERATING MARGIN	57.7%	52.1%	51.0%	48.3%	43.7%	40.8%	49.0%	35.8%	40.7%	
DEPRECIATION ($MILL)	5.4	5.9	6.0	6.1	5.9	7.2	7.1	6.4	7.9	
NET PROFIT ($MILL)	8.8	9.2	9.4	7.2	6.7	8.8	9.4	10.2	9.8	
INCOME TAX RATE	33.8%	17.9%	22.9%	--	23.5%	32.4%	27.2%	19.5%	35.2%	
NET PROFIT MARGIN	19.2%	19.5%	19.4%	15.1%	14.3%	14.9%	15.4%	17.2%	14.8%	
WORKING CAP'L ($MILL)	d5.1	d3.9	d.7	13.0	1.2	8.1	d3.3	d13.1	d14.7	
LONG-TERM DEBT ($MILL)	64.8	64.8	66.4	77.4	77.3	92.3	92.2	112.0	111.7	
SHR. EQUITY ($MILL)	80.7	84.2	88.7	94.9	96.7	100.9	104.2	109.3	114.0	
RETURN ON TOTAL CAP'L	7.4%	7.5%	7.0%	5.0%	4.9%	5.5%	5.9%	5.5%	5.4%	
RETURN ON SHR. EQUITY	10.9%	10.9%	10.6%	7.5%	6.9%	8.7%	9.0%	9.3%	8.6%	
RETAINED TO COM EQ	3.1%	3.2%	3.1%	.3%	NMF	1.6%	1.9%	2.3%	1.6%	
ALL DIV'DS TO NET PROF	72%	71%	71%	95%	105%	82%	79%	76%	81%	

[A] No. of analysts changing earn. est. in last 9 days: 0 up, 0 down, consensus 5-year earnings growth 4.0% per year. [B] Based upon 3 analysts' estimates. [C] Based upon 3 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	4.0%	10.5%
"Cash Flow"	2.0%	5.5%
Earnings	1.5%	-5.0%
Dividends	1.5%	2.0%
Book Value	3.0%	3.0%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/08	13.6	16.0	17.0	14.7	61.3
12/31/09	13.4	15.2	16.6	14.2	59.4
12/31/10	13.8	15.9	21.0	15.7	66.4
12/31/11					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/07	.18	.22	.46	.19	1.05
12/31/08	.20	.35	.34	.22	1.11
12/31/09	.13	.27	.67	.12	1.19
12/31/10	.12	.27	.54	.20	1.13
12/31/11	***.16***	***.31***	***.55***		

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2008	.218	.218	.222	.222	.88
2009	.222	.222	.228	.228	.90
2010	.228	.228	.233	.233	.92
2011	.233				

INSTITUTIONAL DECISIONS

	2Q'10	3Q'10	4Q'10
to Buy	30	21	27
to Sell	23	21	19
Hld's(000)	2790	2747	2764

ASSETS ($mill.)	2008	2009	12/31/10
Cash Assets	.7	5.4	1.0
Receivables	12.0	6.5	10.1
Inventory (Avg cost)	1.1	1.1	1.7
Other	2.0	7.0	7.6
Current Assets	15.8	20.0	20.4
Property, Plant & Equip, at cost	418.1	448.2	471.6
Accum Depreciation	115.8	123.0	127.4
Net Property	302.3	325.2	344.2
Other	54.3	70.1	60.6
Total Assets	372.4	415.3	425.2
LIABILITIES ($mill.)			
Accts Payable	5.7	6.5	6.6
Debt Due	12.1	25.0	26.3
Other	1.3	1.6	2.2
Current Liab	19.1	33.1	35.1

LONG-TERM DEBT AND EQUITY as of 12/31/10

Total Debt $138.0 mill. **Due in 5 Yrs.** $26.3 mill.
LT Debt $111.7 mill.
Including Cap. Leases None
(49% of Cap'l)

Leases, Uncapitalized Annual rentals $.3 mill.

Pension Liability $16.7 mill. in '10 vs. $14.9 mill. in '09

Pfd Stock $.8 mill. **Pfd Div'd Paid** Nil

Common Stock 8,676,849 shares
(51% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Connecticut Water Service, Inc. primarily operates as a water utility provider. The company operates through three segments: Water Activities, Real Estate Transactions, and Services and Rentals. The Water Activities segment supplies public drinking water to its customers. Its Real Estate Transactions segment involves in the sale of its limited excess real estate holdings. The Services and Rentals segment provides contracted services to water and wastewater utilities and other clients, as well as leases certain properties to third parties. This segment's services include contract operations of water and wastewater facilities; Linebacker, its service line protection plan for public drinking water customers; and provision of bulk deliveries of emergency drinking water to businesses and residences via tanker truck. As of December 31, 2010, Connecticut Water Service provided water to approximately 90,000 customers in 55 towns throughout Connecticut. Has 225 employees. Chairman, C.E.O. & President: Eric W. Thornburg. Inc.: CT. Address: 93 West Main Street, Clinton, CT 06413. Tel.: (860) 669-8636. Internet: http://www.ctwater.com. *W.T.*

April 22, 2011

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 3/31/2011

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-4.61%	12.06%	17.78%	25.16%	21.46%

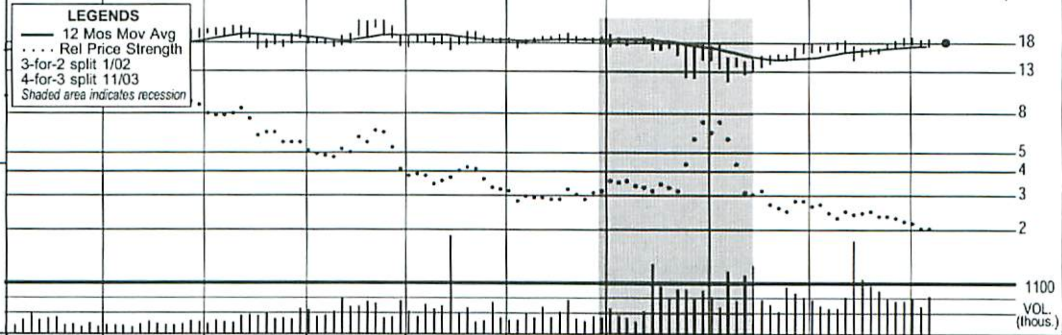
MIDDLESEX WATER NDQ--MSEX

RECENT PRICE 18.14 | TRAILING P/E RATIO 18.9 | RELATIVE P/E RATIO 1.04 | DIV'D YLD 4.0% | VALUE LINE

RANKS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
	20.04	21.23	21.81	23.47	20.50	20.24	19.83	17.91	19.31	19.31	High
	13.73	15.77	16.65	17.07	16.50	16.93	12.05	11.64	14.74	17.35	Low

PERFORMANCE 3 Average
Technical 3 Average
SAFETY 2 Above Average
BETA .75 (1.00 = Market)

Financial Strength B++
Price Stability 95
Price Growth Persistence 30
Earnings Predictability 90



© VALUE LINE PUBLISHING LLC	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011/2012
SALES PER SH	5.98	6.12	6.25	6.44	6.16	6.50	6.79	6.75	6.60	
"CASH FLOW" PER SH	1.20	1.15	1.28	1.33	1.33	1.49	1.53	1.40	1.55	
EARNINGS PER SH	.73	.61	.73	.71	.82	.87	.89	.72	.96	**.95 A,B/.99 C**
DIV'DS DECL'D PER SH	.63	.65	.66	.67	.68	.69	.70	.71	.72	
CAP'L SPENDING PER SH	1.59	1.87	2.54	2.18	2.31	1.66	2.12	1.49	1.90	
BOOK VALUE PER SH	7.39	7.60	8.02	8.26	9.52	10.05	10.03	10.33	11.13	
COMMON SHS OUTST'G (MILL)	10.36	10.48	11.36	11.58	13.17	13.25	13.40	13.52	15.57	
AVG ANN'L P/E RATIO	23.5	30.0	26.4	27.4	22.7	21.6	19.8	21.0	17.8	**19.1/18.3**
RELATIVE P/E RATIO	1.28	1.71	1.39	1.45	1.23	1.15	1.19	1.40	1.14	
AVG ANN'L DIV'D YIELD	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	4.2%	
SALES ($MILL)	61.9	64.1	71.0	74.6	81.1	86.1	91.0	91.2	102.7	**Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.**
OPERATING MARGIN	47.1%	44.0%	44.4%	44.4%	47.4%	47.0%	46.9%	42.6%	46.7%	
DEPRECIATION ($MILL)	5.0	5.6	6.4	7.2	7.8	8.2	8.5	9.2	10.0	
NET PROFIT ($MILL)	7.8	6.6	8.4	8.5	10.0	11.8	12.2	10.0	14.3	
INCOME TAX RATE	33.3%	32.8%	31.1%	27.6%	33.4%	32.6%	33.2%	34.1%	32.1%	
NET PROFIT MARGIN	12.5%	10.3%	11.9%	11.4%	12.4%	13.8%	13.4%	10.9%	13.9%	
WORKING CAP'L ($MILL)	d9.3	d13.3	d11.8	d4.5	2.8	d9.6	d40.9	d38.6	d17.9	
LONG-TERM DEBT ($MILL)	87.5	97.4	115.3	128.2	130.7	131.6	118.2	124.9	133.8	
SHR. EQUITY ($MILL)	80.6	83.7	99.2	103.6	133.3	137.1	141.2	143.0	176.6	
RETURN ON TOTAL CAP'L	6.0%	5.0%	5.1%	5.0%	5.1%	5.6%	5.8%	5.0%	5.7%	
RETURN ON SHR. EQUITY	9.6%	7.9%	8.5%	8.2%	7.5%	8.6%	8.6%	7.0%	8.1%	
RETAINED TO COM EQ	1.3%	NMF	.9%	.6%	1.3%	1.8%	2.0%	.1%	2.1%	
ALL DIV'DS TO NET PROF	87%	106%	90%	94%	84%	79%	78%	98%	75%	

[A] No. of analysts changing earn. est. in last 9 days: 0 up, 0 down, consensus 5-year earnings growth 3.0% per year. [B] Based upon 2 analysts' estimates. [C] Based upon 2 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	1.5%	-2.0%
"Cash Flow"	3.5%	10.0%
Earnings	4.5%	33.5%
Dividends	1.5%	1.5%
Book Value	5.5%	8.0%

QUARTERLY SALES ($mill.)

Fiscal Year	1Q	2Q	3Q	4Q	Full Year
12/31/08	20.8	23.0	25.7	21.5	91.0
12/31/09	20.6	23.1	25.5	22.0	91.2
12/31/10	21.6	26.5	29.6	25.0	102.7
12/31/11					

EARNINGS PER SHARE

Fiscal Year	1Q	2Q	3Q	4Q	Full Year
12/31/07	.13	.24	.31	.19	.87
12/31/08	.15	.26	.35	.13	.89
12/31/09	.10	.21	.29	.12	.72
12/31/10	.11	.31	.37	.17	.96
12/31/11	***.11***	***.29***	***.34***		

QUARTERLY DIVIDENDS PAID

Cal-endar	1Q	2Q	3Q	4Q	Full Year
2008	.175	.175	.175	.178	.70
2009	.178	.178	.178	.18	.71
2010	.18	.18	.18	.183	.72
2011	.183				

INSTITUTIONAL DECISIONS

	2Q'10	3Q'10	4Q'10
to Buy	40	30	39
to Sell	21	24	21
Hld's(000)	5706	5930	6031

ASSETS ($mill.)	2008	2009	12/31/10
Cash Assets	3.3	4.3	2.5
Receivables	14.3	10.6	16.7
Inventory (Avg cost)	1.5	1.6	2.2
Other	1.5	5.5	1.4
Current Assets	20.6	22.0	22.8
Property, Plant & Equip, at cost	436.8	453.6	490.6
Accum Depreciation	70.5	77.1	84.7
Net Property	366.3	376.5	405.9
Other	53.1	59.6	60.5
Total Assets	440.0	458.1	489.2
LIABILITIES ($mill.)			
Accts Payable	5.7	4.3	6.4
Debt Due	43.9	46.6	21.4
Other	11.9	9.8	12.9
Current Liab	61.5	60.7	40.7

LONG-TERM DEBT AND EQUITY as of 12/31/10

Total Debt $155.3 mill. **Due in 5 Yrs.** $40.1 mill.
LT Debt $133.8 mill.
Including Cap. Leases None
(43% of Cap'l)
Leases, Uncapitalized Annual rentals None

Pension Liability $28.6 mill. in '10 vs. $25.7 mill. in '09

Pfd Stock $3.4 mill. **Pfd Div'd Paid** $.2 mill.
(1% of Cap'l)

Common Stock 15,566,000 shares
(56% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey and Delaware, and a regulated wastewater utility in NJ. The company offers contract operations services and a service line maintenance program through its nonregulated subsidiary, Utility Service Affiliates, Inc. Its water utility system treats, stores, and distributes water for residential, commercial, industrial, and fire prevention purposes. It also provides water treatment and pumping services to the Township of East Brunswick, as well as water and wastewater services to residents in Southampton Township. Middlesex Water's Delaware subsidiaries provide water services to retail customers in New Castle, Kent, and Sussex counties. In February, Middlesex Water announced the retirement of J. Richard Tompkins, who will not seek re-election when his term expires in May 2011. Has 285 employees. Chairman: Dennis W. Doll. Address: 1500 Ronson Rd, P.O. BOX 1500, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: http://www.middlesexwater.com.

W.T.

April 22, 2011

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 3/31/2011

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
0.10%	10.18%	11.08%	13.92%	16.41%

SJW CORP. NYSE-SJW

RECENT PRICE 22.65 | P/E RATIO NMF (Trailing: 27.0 Median: 22.0) | RELATIVE P/E RATIO NMF | DIV'D YLD 3.0% | VALUE LINE

TIMELINESS	4 New 4/22/11
SAFETY	3 New 4/22/11
TECHNICAL	3 New 4/22/11
BETA	.90 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+75%)	17%
Low	25	(+10%)	6%

Insider Decisions

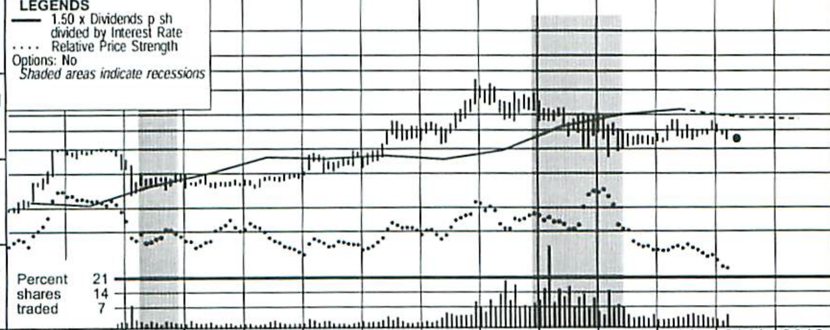
	M	J	J	A	S	O	N	D	J
to Buy	1	0	0	0	0	0	0	1	0
Options	0	0	0	0	0	0	0	1	0
to Sell	0	0	0	0	0	0	0	1	0

Institutional Decisions

	2Q2010	3Q2010	4Q2010
to Buy	31	26	34
to Sell	32	28	26
Hld's(000)	8930	8969	8640

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	20.3	17.8	15.1	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8
Low:	15.8	11.6	12.7	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	22.3

LEGENDS
— 1.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: No
Shaded areas indicate recessions



Target Price Range 2014 | 2015 | 2016

% TOT. RETURN 3/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-6.4	23.4
3 yr.	-12.1	49.0
5 yr.	-2.7	45.9

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
4.99	5.39	5.79	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	*11.20*	*11.35*	Revenues per sh	*12.00*
.98	1.43	1.27	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.37	*2.40*	*2.40*	"Cash Flow" per sh	*2.60*
.59	.96	.80	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	*.90*	*1.00*	Earnings per sh A	*1.30*
.35	.37	.38	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	*.69*	*.74*	Div'd Decl'd per sh B■	*.82*
.96	1.06	1.27	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	*5.15*	*5.00*	Cap'l Spending per sh	*4.80*
5.58	6.31	7.02	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	*14.90*	*15.70*	Book Value per sh	*17.00*
19.50	19.02	19.02	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	*20.50*	*22.00*	Common Shs Outst'g C	*25.00*
9.9	6.8	11.2	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.5	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*25.0*
.66	.43	.65	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.89		*estimates*	Relative P/E Ratio	*1.65*
6.0%	5.7%	4.3%	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%			Avg Ann'l Div'd Yield	*2.5%*

CAPITAL STRUCTURE as of 12/31/10
Total Debt $300.8 mill. **Due in 5 Yrs** $12.4 mill.
LT Debt $295.7 mill. **LT Interest** $15.9 mill.
(LT interest earned: 2.7x: total interest coverage: 2.6x) (54% of Cap'l)

Leases, Uncapitalized: Annual rentals $4.2 mill.

Pension Assets-12/10 $10.8 mill. **Oblig.** $58.8 mill.

Pfd Stock None.

Common Stock 18,577,012 shs. as of 2/8/11
MARKET CAP: $425 million (Small Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
136.1	145.7	149.7	166.9	180.1	189.2	206.6	220.3	216.1	215.6	*230*	*250*	Revenues ($mill)	*300*
14.0	14.2	16.7	16.0	20.7	22.2	19.3	20.2	15.2	15.6	*18.0*	*22.0*	Net Profit ($mill)	*32.0*
34.5%	40.4%	36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	39.7%	*40.0%*	*40.0%*	Income Tax Rate	*39.0%*
4.4%	4.2%	1.6%	2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	3.6%	*5.0%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
42.4%	41.7%	45.6%	43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	*51.0%*	*50.0%*	Long-Term Debt Ratio	*47.0%*
57.6%	58.3%	54.4%	56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	*49.0%*	*50.0%*	Common Equity Ratio	*53.0%*
259.4	263.5	306.0	328.3	341.2	391.8	453.2	470.9	499.6	550.7	*625*	*700*	Total Capital ($mill)	*900*
367.8	390.8	428.5	456.8	484.8	541.7	645.5	684.2	718.5	785.5	*850*	*930*	Net Plant ($mill)	*1175*
6.7%	6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.2%	*4.5%*	*4.5%*	Return on Total Cap'l	*6.0%*
9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	*6.0%*	*6.5%*	Return on Shr. Equity	*7.5%*
9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	*6.0%*	*6.5%*	Return on Com Equity	*7.5%*
4.1%	3.8%	4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	*1.5%*	*2.0%*	Retained to Com Eq	*2.5%*
56%	59%	53%	58%	47%	46%	57%	59%	80%	81%	*74%*	*74%*	All Div'ds to Net Prof	*67%*

CURRENT POSITION ($MILL.)	2008	2009	12/31/10
Cash Assets	3.4	1.4	1.7
Other	28.6	26.6	36.3
Current Assets	32.0	28.0	38.0
Accts Payable	5.8	6.6	5.5
Debt Due	19.1	6.9	5.1
Other	18.4	18.5	18.6
Current Liab.	43.3	32.0	29.2
Fix. Chg. Cov.	293%	352%	*400%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	6.5%	5.5%	*5.0%*
"Cash Flow"	6.0%	3.5%	*6.5%*
Earnings	2.0%	-1.5%	*9.0%*
Dividends	5.0%	5.5%	*4.0%*
Book Value	6.0%	6.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	41.3	60.0	69.5	49.5	220.3
2009	40.0	58.2	69.3	48.6	216.1
2010	40.4	54.1	70.3	50.8	215.6
2011	*43.0*	*58.0*	*75.0*	*54.0*	*230*
2012	*47.0*	*63.0*	*81.0*	*59.0*	*250*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.15	.34	.44	.15	1.08
2009	.01	.23	.43	.14	.81
2010	.05	.24	.44	.11	.84
2011	*.05*	*.25*	*.47*	*.13*	*.90*
2012	*.07*	*.28*	*.50*	*.15*	*1.00*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.15	.15	.15	.15	.60
2008	.16	.16	.16	.16	.64
2009	.165	.165	.165	.165	.66
2010	.17	.17	.17	.17	.68
2011	.173				

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 226,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has 375 employees. Chairman: Charles J. Toeniskoetter. Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int:www.sjwater.com.

We welcome newcomer SJW Corp to *The Value Line Investment Survey* in this issue. Although it dabbles in commercial property, the company, for all intents and purposes, is a water utility, engaging in the production, purchase, storage, purification, distribution, and sale of water. It offers nonregulated services via agreements with municipalities and other utilities, but the bulk of its business is regulated. Operations are centered around San Jose, California, with it provides more than 225,000 connections that serve population of roughly one million people. Services are not exclusive to the Golden State, however, with another 8,700 connections serving 36,000 residents in the state of Texas.

The company's inaugural appearance is forgettable. It posted earnings of $0.11 in the fourth quarter of 2010 (March-period results are due out next week), a few pennies below the prior year's tally, after stripping out gains we deem as nonrecurring in nature. Sales inched up modestly in the quarter, but the costs of doing business in this capital-intensive industry continued to take a toll.

We are a little wary of the company's near-term prospects. Operating costs are likely to remain on the rise, given the shape that many water systems appear to be in across the United States. That said, SJW, like many of its bedfellows, is not exactly flush with cash and will probably have to turn to outside financing to make the improvements. The costs associated with additional debt or share offerings, however, will be dilutive, likely keeping growth under wraps going forward. Note, however, that growth may look decent against depressed 2010 comparisons.

We advise investors to take a pass on this issue. SJW is ranked 4 (Below Average) for Timeliness and lacks 3- to 5-year appreciation potential, as well. Meanwhile, the balance sheet is highly leveraged, adding some skepticism about the sustainability of the stock's only saving grace at this time, its dividend. Although the steady stream of income is not likely to dry up completely, the financial constraints alluded to above could prompt the company to use the funds to make capital improvements instead.

Andre J. Costanza *April 22, 2011*

(A) Diluted earnings. Excludes nonrecurring losses : '03, $1.97; '04, $3.78; '05, $1.09; '06, $16.36; '08, $1.22; '10, 46¢. Next earnings report due April 28th. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions.

Company's Financial Strength	B+
Stock's Price Stability	70
Price Growth Persistence	80
Earnings Predictability	85

YORK WATER CO NDQ--YORW

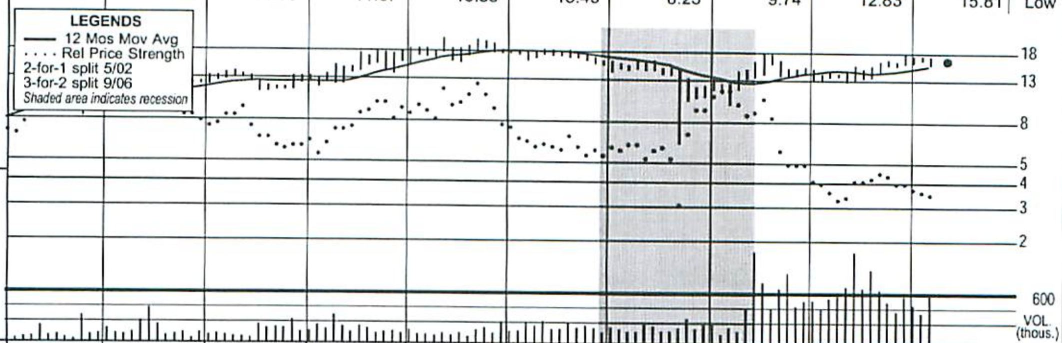
RECENT PRICE 16.52 | TRAILING P/E RATIO 23.3 | RELATIVE P/E RATIO 1.27 | DIV'D YLD 3.2% | VALUE LINE

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High	13.45	13.49	14.03	17.87	20.99	18.55	16.50	17.95	18.00	17.60
Low	8.20	9.33	11.00	11.67	15.33	15.45	6.23	9.74	12.83	15.81

RANKS

PERFORMANCE 4 Below Average
Technical 4 Below Average
SAFETY 2 Above Average
BETA .70 (1.00 = Market)

Financial Strength B++
Price Stability 90
Price Growth Persistence 60
Earnings Predictability 100



© VALUE LINE PUBLISHING LLC	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011/2012
REVENUES PER SH	2.05	2.17	2.18	2.58	2.56	2.79	2.89	2.95	3.07	
"CASH FLOW" PER SH	.57	.65	.65	.79	.77	.86	.88	.95	1.07	
EARNINGS PER SH	.40	.47	.49	.56	.58	.57	.57	.64	.71	*.77 A,B/.80 C*
DIV'D DECL'D PER SH	.35	.37	.39	.42	.45	.48	.49	.51	.52	
CAP'L SPENDING PER SH	.66	1.07	2.50	1.69	1.85	1.69	2.17	1.18	.83	
BOOK VALUE PER SH	3.90	4.06	4.65	4.85	5.84	5.97	6.14	6.92	7.19	
COMMON SHS OUTST'G (MILL)	9.55	9.63	10.33	10.40	11.20	11.27	11.37	12.56	12.69	
AVG ANN'L P/E RATIO	26.9	24.5	25.7	26.3	31.2	30.3	24.6	21.9	20.7	*21.5/20.7*
RELATIVE P/E RATIO	1.47	1.40	1.36	1.39	1.68	1.61	1.48	1.46	1.33	
AVG ANN'L DIV'D YIELD	3.3%	3.2%	3.1%	2.9%	2.5%	2.8%	3.5%	3.6%	3.5%	
REVENUES ($MILL)	19.6	20.9	22.5	26.8	28.7	31.4	32.8	37.0	39.0	*Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.*
NET PROFIT ($MILL)	3.8	4.4	4.8	5.8	6.1	6.4	6.4	7.5	8.9	
INCOME TAX RATE	34.9%	34.8%	36.7%	36.7%	34.4%	36.5%	36.1%	37.9%	38.5%	
AFUDC % TO NET PROFIT	3.7%	--	--	--	7.2%	3.6%	10.1%	--	1.2%	
LONG-TERM DEBT RATIO	46.7%	43.4%	42.5%	44.1%	48.3%	46.5%	54.5%	45.7%	48.3%	
COMMON EQUITY RATIO	53.3%	56.6%	57.5%	55.9%	51.7%	53.5%	45.5%	54.3%	51.7%	
TOTAL CAPITAL ($MILL)	69.9	69.0	83.6	90.3	126.5	125.7	153.4	160.1	176.4	
NET PLANT ($MILL)	106.7	116.5	140.0	155.3	174.4	191.6	211.4	222.0	228.4	
RETURN ON TOTAL CAP'L	7.4%	8.5%	7.6%	8.4%	6.2%	6.7%	5.7%	6.2%	6.5%	
RETURN ON SHR. EQUITY	10.2%	11.4%	10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	
RETURN ON COM EQUITY	10.2%	11.4%	10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	
RETAINED TO COM EQ	1.3%	2.6%	2.1%	3.0%	2.2%	1.7%	1.4%	1.9%	2.7%	
ALL DIV'DS TO NET PROF	88%	77%	79%	74%	77%	82%	85%	78%	72%	

[A] No. of analysts changing earn. est. in last 9 days: 0 up, 0 down, consensus 5-year earnings growth 6.0% per year. [B] Based upon 4 analysts' estimates. [C] Based upon 4 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Revenues	5.0%	4.0%
"Cash Flow"	7.0%	12.0%
Earnings	5.0%	11.0%
Dividends	5.0%	2.0%
Book Value	8.5%	4.0%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/08	7.5	7.8	8.6	8.9	32.8
12/31/09	8.8	9.2	9.8	9.2	37.0
12/31/10	9.0	9.7	10.5	9.8	39.0
12/31/11					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/07	.12	.15	.15	.15	.57
12/31/08	.11	.13	.15	.18	.57
12/31/09	.13	.17	.18	.16	.64
12/31/10	.15	.18	.21	.17	.71
12/31/11	***.17***	***.20***	***.22***		

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2008	.121	.121	.121	.121	.48
2009	.126	.126	.126	.126	.50
2010	.128	.128	.128	.128	.51
2011	.131	.13			

INSTITUTIONAL DECISIONS

	2Q'10	3Q'10	4Q'10
to Buy	29	21	25
to Sell	19	18	16
Hld's(000)	2811	3078	3107

ASSETS ($mill.)	2008	2009	12/31/10
Cash Assets	.0	.0	1.3
Receivables	5.9	5.4	6.3
Inventory (Avg cost)	.7	.7	.6
Other	.7	1.0	.6
Current Assets	7.3	7.1	8.8
Property, Plant & Equip, at cost	246.0	260.4	270.8
Accum Depreciation	34.6	38.4	42.4
Net Property	211.4	222.0	228.4
Other	21.7	19.7	22.7
Total Assets	240.4	248.8	259.9
LIABILITIES ($mill.)			
Accts Payable	1.6	1.4	1.2
Debt Due	9.1	9.3	.0
Other	3.5	3.9	4.1
Current Liab	14.2	14.6	5.3

LONG-TERM DEBT AND EQUITY as of 12/31/10

Total Debt $85.2 mill. **Due in 5 Yrs.** $12.2 mill.
LT Debt $85.1 mill.
Including Cap. Leases None
(48% of Cap'l)
Leases, Uncapitalized Annual rentals None

Pension Liability $9.8 mill. in '10 vs. $8.8 mill. in '09

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 12,692,000 shares
(52% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: The York Water Company engages in the impounding, purification, and distribution of water in York County and Adams County, Pennsylvania. The company supplies water for residential, commercial, industrial, and other customers. It has two reservoirs, Lake Williams, which is 700 feet long and 58 feet high, and creates a reservoir covering approximately 165 acres containing about 870 million gallons of water; and Lake Redman, which is 1,000 feet long and 52 feet high and creates a reservoir covering approximately 290 acres containing about 1.3 billion gallons of water. In addition, it possesses a 15-mile pipeline from the Susquehanna River to Lake Redman that provides access to an additional supply of water. As of December 31, 2010, York Water served approximately 182,000 residential, commercial, industrial, and other customers in 39 municipalities in York County and seven municipalities in Adams County. Has 111 employees. C.E.O. & President: Jeffrey R. Hines. Inc.: PA. Address: 130 East Market Street, York, PA 17401. Tel.: (717) 845-3601. Internet: http://www.yorkwater.com.

W.T.

April 22, 2011

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 3/31/2011

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
1.47%	10.26%	30.68%	28.75%	16.25%

Carolina Water Service, Inc.
Current Institutional Holdings and Individual Holdings
the Proxy Group of Nine Water Companies

Proxy Group of Nine Water Companies	1 July 06, 2011 Percentage of Institutional Holdings	2 July 06, 2011 Percentage of Individual Holdings (1)
American States Water Co.	61.86 %	38.14 %
American Water Works Co., Inc.	84.08	15.92
Aqua America, Inc.	41.26	58.74
Artesian Resources Corp.	34.01	65.99
California Water Service Group	52.31	47.69
Connecticut Water Service, Inc.	32.20	67.80
Middlesex Water Company	39.65	60.35
SJW Corporation	46.54	53.46
York Water Company	24.25	75.75
Average	46.24 %	53.76 %

Notes:
(1) (1 - column 1).

Source of Information: pro.edgar-online.com, July 6, 2011

Carolina Water Service, Inc.
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

Line No.		Proxy Group of Nine Water Companies
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	5.35 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	0.34 (2)
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	5.69 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	0.14 (3)
5.	Adjusted Prospective Bond Yield	5.83
6.	Equity Risk Premium (4)	4.50
7.	Risk Premium Derived Common Equity Cost Rate	10.33 %

Notes:
(1) Derived in Note (4) on page 6 of this Schedule.
(2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.34% from page 4 of this Schedule.

(3) Adjustment to reflect the A3 Moody's bond rating of the proxy group of nine water companies as shown on page 2 of this Schedule. The 14 basis point adjustment is derived by taking 1/3 of the spread between Baa2 and A2 Public Utility Bonds (1/3 * 0.42% = 0.14%).

(4) From page 5 of this Schedule.

Carolina Water Service, Inc.
Comparison of Bond Ratings, Business Risk and Financial Risk Profiles for the
Proxy Group of Nine Water Companies

	Moody's Bond Rating July 2011		Standard & Poor's Bond Rating July 2011				Standard & Poor's			
Proxy Group of Nine Water Companies	Bond Rating	Numerical Weighting (1)	Bond Rating	Numerical Weighting (1)	Credit Rating	Numerical Weighting (1)	Business Risk Profile (2)	Numerical Weighting (1)	Financial Risk Profile (2)	Numerical Weighting (1)
American States Water Co. (3)	A2	6.0	A+	5.0	A+	5.0	Excellent	1.0	Intermediate	3.0
American Water Works Co., Inc. (4)	Baa1	8.0	A+	5.0	BBB+	8.0	Excellent	1.0	Aggressive	5.0
Aqua America, Inc. (5)	NR	- -	AA-	4.0	A+	5.0	Excellent	1.0	Intermediate	3.0
Artesian Resources Corp.	NR	- -	NR	- -	NR	- -	NR	- -	NR	- -
California Water Service Group (6)	NR	- -	AA-	4.0	A+	5.0	Excellent	1.0	Intermediate	3.0
Connecticut Water Service, Inc. (7)	NR	- -	A	6.0	A	6.0	Excellent	1.0	Intermediate	3.0
Middlesex Water Company	NR	- -	A	6.0	A-	7.0	Excellent	1.0	Intermediate	3.0
SJW Corporation (8)	NR	- -	A	6.0	A	6.0	Excellent	1.0	Intermediate	3.0
York Water Company	NR	- -	A-	7.0	A-	7.0	Excellent	1.0	Intermediate	3.0
Average	A3	7.0	A+	5.4	A	6.1	Excellent	1.0	Intermediate	3.3

Notes: (1) From page 3 of this Schedule.
(2) From Standard & Poor's Issuer Ranking: U.S. Investor-Owned Water Utilities, Strongest to Weakest, June 20, 2011.
(3) Ratings, business risk and financial risk profiles are those of Golden State Water Company.
(4) Rating, business risk and financial risk profiles are those of Pennsylvania and New Jersey American Water.
(5) Ratings, business risk and financial risk profiles are those of Aqua Pennsylvania, Inc.
(6) Ratings, business risk and financial risk profiles are those of California Water Service Co.
(7) Ratings, business risk and financial risk profiles are those of Connecticut Water Company.
(8) Ratings, business risk and financial risk profiles are those of San Jose Water Co.

Source Information: Moody's Investors Service
Standard & Poor's Global Utilities Rating Service

Carolina Water Service, Inc.
Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings
and Standard & Poor's Business and Financial Risk Profiles

Moody's Bond Rating	Numerical Bond Weighting	Standard & Poor's Bond Rating
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-

Standard & Poor's

Business Risk Profile	Numerical Weighting	Financial Risk Profile	Numerical Weighting
Excellent	1	Minimal	1
Strong	2	Modest	2
Satisfactory	3	Intermediate	3
Fair	4	Significant	4
Weak	5	Aggressive	5
Vulnerable	6	Highly Leveraged	6

Moody's
Comparison of Interest Rate Trends
for the Three Months Ending June 2011 (1)

Months	Corporate Bonds Aaa Rated	Public Utility Bonds Aa Rated	Public Utility Bonds A Rated	Public Utility Bonds Baa Rated	Spread - Corporate v. Public Utility Bonds: Aa (Pub. Util.) over Aaa (Corp.)	Spread - Corporate v. Public Utility Bonds: A (Pub. Util.) over Aaa (Corp.)	Spread - Corporate v. Public Utility Bonds: Baa (Pub. Util.) over Aaa (Corp.)	Spread - Public Utility Bonds: A over Aa	Spread - Public Utility Bonds: Baa over A
June-11	4.99 %	5.04 %	5.26 %	5.67 %					
May-11	4.96	5.08	5.32	5.74					
April-11	5.16	5.32	5.55	5.98					
Average of Last 3 Months	5.04 %	5.15 %	5.38 %	5.80 %	0.11 %	0.34 %	0.76 %	0.23 %	0.42 %

Notes: (1) All yields are distributed yields.

Source of Information: Mergent Bond Record, July 2011, Vol. 78, No. 7.

Exhibit No.___
Schedule PMA-8
Page 4 of 8

Carolina Water Service, Inc.
Judgment of Equity Risk Premium for
the Proxy Group of Nine Water Companies

Line No.		Proxy Group of Nine Water Companies
1.	Calculated equity risk premium based on the total market using the beta approach (1)	4.87
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	4.12
3.	Average equity risk premium	4.50 %

Notes: (1) From page 6 of this Schedule.
(2) From page 8 of this Schedule.

Carolina Water Service, Inc.
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Nine Water Companies

Line No.		Proxy Group of Nine Water Companies
1.	Arithmetic mean total return rate on the Standard & Poor's 500 Composite Index - 1926-2010 (1)	11.90 %
2.	Arithmetic mean yield on Aaa and Aa Corporate Bonds 1926-2010 (2)	(6.10)
3.	Historical Equity Risk Premium	5.80 %
4.	Forecasted 3-5 year Total Annual Market Return (3)	13.44 %
5.	Prospective Yield an Aaa Rated Corporate Bonds (4)	(5.35)
6.	Forecasted Equity Risk Premium	8.09 %
7.	Conclusion of Equity Risk Premium (5)	6.95 %
8.	Adjusted Value Line Beta (6)	0.70
9.	Beta Adjusted Equity Risk Premium	4.87 %

Notes: (1) Stocks, Bonds, Bills, and Inflation - Market Results for 1926-2010 Yearbook Valuation Edition, Morningstar, Inc., 2011 Chicago, IL.

(2) From Moody's Industrial Manual and Mergent Bond Record Monthly Update.

(3) From page 3 of Schedule PMA-10.

(4) Average forecast based upon six quarterly estimates of Aaa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated July 1, 2011 (see page 7 of this Schedule). The estimates are detailed below.

Third Quarter 2011	5.00 %
Fourth Quarter 2011	5.10
First Quarter 2012	5.30
Second Quarter 2012	5.40
Third Quarter 2012	5.60
Fourth Quarter 2012	5.70
Average	5.35 %

(5) The average of the historical equity risk premium of 5.80% from Line No. 3 and the forecasted equity risk premium of 8.09% from Line No. 6 ((5.80% + 8.09%) / 2 = 6.95%.

(6) Median beta from page 1 of Schedule PMA-10.

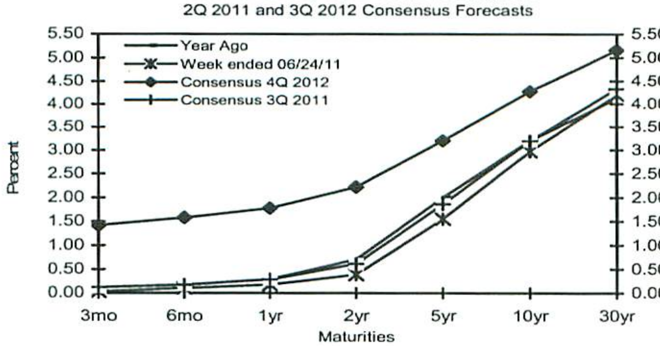
Consensus Forecasts Of U.S. Interest Rates And Key Assumptions[1]

	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month			*Latest Q**	3Q	4Q	1Q	2Q	3Q	4Q
Interest Rates	June 24	June 17	June 10	June 3	May	Apr.	Mar.	*2Q 2011*	2011	2011	2012	2012	2012	2012
Federal Funds Rate	0.09	0.09	0.10	0.10	0.09	0.10	0.14	0.11	**0.2**	**0.2**	**0.3**	**0.6**	**1.0**	**1.4**
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	**3.3**	**3.3**	**3.4**	**3.6**	**4.0**	**4.4**
LIBOR, 3-mo.	0.25	0.25	0.25	0.25	0.26	0.28	0.31	0.28	**0.3**	**0.4**	**0.6**	**0.9**	**1.3**	**1.7**
Commercial Paper, 1-mo.	0.14	0.12	0.10	0.12	0.11	0.14	0.17	0.14	**0.2**	**0.3**	**0.5**	**0.7**	**1.1**	**1.6**
Treasury bill, 3-mo.	0.03	0.05	0.05	0.05	0.04	0.06	0.10	0.06	**0.1**	**0.2**	**0.4**	**0.6**	**1.0**	**1.4**
Treasury bill, 6-mo.	0.10	0.11	0.10	0.11	0.09	0.12	0.16	0.11	**0.2**	**0.3**	**0.5**	**0.8**	**1.2**	**1.6**
Treasury bill, 1 yr.	0.17	0.18	0.18	0.18	0.19	0.25	0.26	0.22	**0.3**	**0.4**	**0.7**	**0.9**	**1.4**	**1.8**
Treasury note, 2 yr.	0.39	0.40	0.41	0.44	0.56	0.73	0.70	0.62	**0.6**	**0.8**	**1.1**	**1.4**	**1.8**	**2.2**
Treasury note, 5 yr.	1.55	1.58	1.58	1.63	1.84	2.17	2.11	1.96	**1.9**	**2.1**	**2.4**	**2.6**	**2.9**	**3.2**
Treasury note, 10 yr.	2.97	2.99	3.00	3.01	3.17	3.46	3.41	3.29	**3.2**	**3.4**	**3.6**	**3.8**	**4.1**	**4.3**
Treasury note, 30 yr.	4.19	4.21	4.22	4.21	4.29	4.50	4.51	4.40	**4.3**	**4.5**	**4.6**	**4.8**	**5.0**	**5.2**
Corporate Aaa bond	4.96	4.98	4.97	4.95	4.96	5.16	5.13	5.06	**5.0**	**5.1**	**5.3**	**5.4**	**5.6**	**5.7**
Corporate Baa bond	5.73	5.73	5.73	5.70	5.78	6.02	6.03	5.91	**5.8**	**5.9**	**6.1**	**6.2**	**6.4**	**6.6**
State & Local bonds	4.46	4.49	4.49	4.51	4.59	4.99	4.92	4.77	**4.6**	**4.7**	**4.9**	**5.0**	**5.2**	**5.3**
Home mortgage rate	4.50	4.50	4.49	4.55	4.64	4.84	4.84	4.73	**4.7**	**4.9**	**5.1**	**5.3**	**5.5**	**5.7**
	History								Consensus Forecasts-Quarterly					
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	*2Q**	3Q	4Q	1Q	2Q	3Q	4Q
Key Assumptions	2009	2009	2010	2010	2010	2011	2011	*2011*	2011	2011	2012	2012	2012	2012
Major Currency Index	76.4	72.8	74.8	77.6	75.9	73.0	71.9	*69.7*	**70.1**	**70.2**	**70.6**	**71.2**	**71.7**	**71.9**
Real GDP	1.6	5.0	3.7	1.7	2.6	3.1	1.9	*2.2*	**3.1**	**3.2**	**2.9**	**3.0**	**3.2**	**3.2**
GDP Price Index	0.7	-0.2	1.0	1.9	2.1	0.4	2.0	*2.3*	**1.9**	**1.7**	**1.9**	**2.0**	**2.0**	**2.0**
Consumer Price Index	3.7	2.7	1.3	-0.5	1.4	2.6	5.2	*4.2*	**2.2**	**2.1**	**2.3**	**2.3**	**2.3**	**2.4**

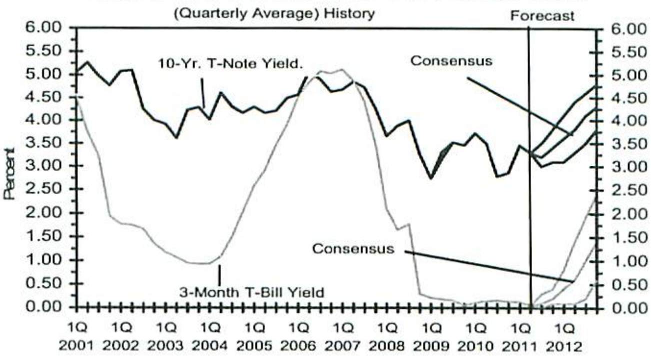
Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are the same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).). ***Interest rate data for 2Q 2011 based on historical data through the week ended June 24. *Data for 2Q 2011 Major Currency Index also is based on data through week ended June 24. Figures for 2Q 2011 Real GDP, GDP Chained Price Index and Consumer Price Index are consensus forecasts based on a special question asked of the panelists this month (see page 14).***

U.S. Treasury Yield Curve

Week ended May 20, 2011 and Year Ago vs. 2Q 2011 and 3Q 2012 Consensus Forecasts

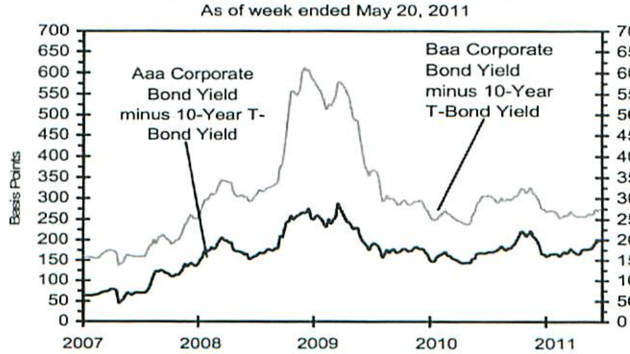


U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield



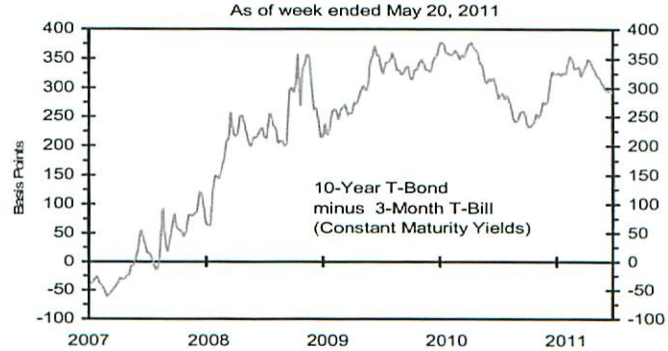
Corporate Bond Spreads

As of week ended May 20, 2011



U.S. Treasury Yield Curve

As of week ended May 20, 2011



Carolina Water Service, Inc.
Derivation of Mean Equity Risk Premium Based on a Study
Using Holding Period Returns of Public Utilities

Line No.		Over A Rated Moody's Public Utility Bonds - AUS Consultants Study (1)
1.	Arithmetic Mean Holding Period Returns on the Standard & Poor's Utility Index 1926-2010 (2):	10.69 %
2.	Arithmetic Mean Yield on Moody's A Rated Public Utility Yields 1926-2010	(6.57)
3.	Equity Risk Premium	4.12 %

Notes: (1) S&P Public Utility Index and Moody's Public Utility Bond Average Annual Yields 1928-2010, (AUS Consultants - Utility Services, 2011).

(2) Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.

Large Company Stock Returns
From 1926 to 2010

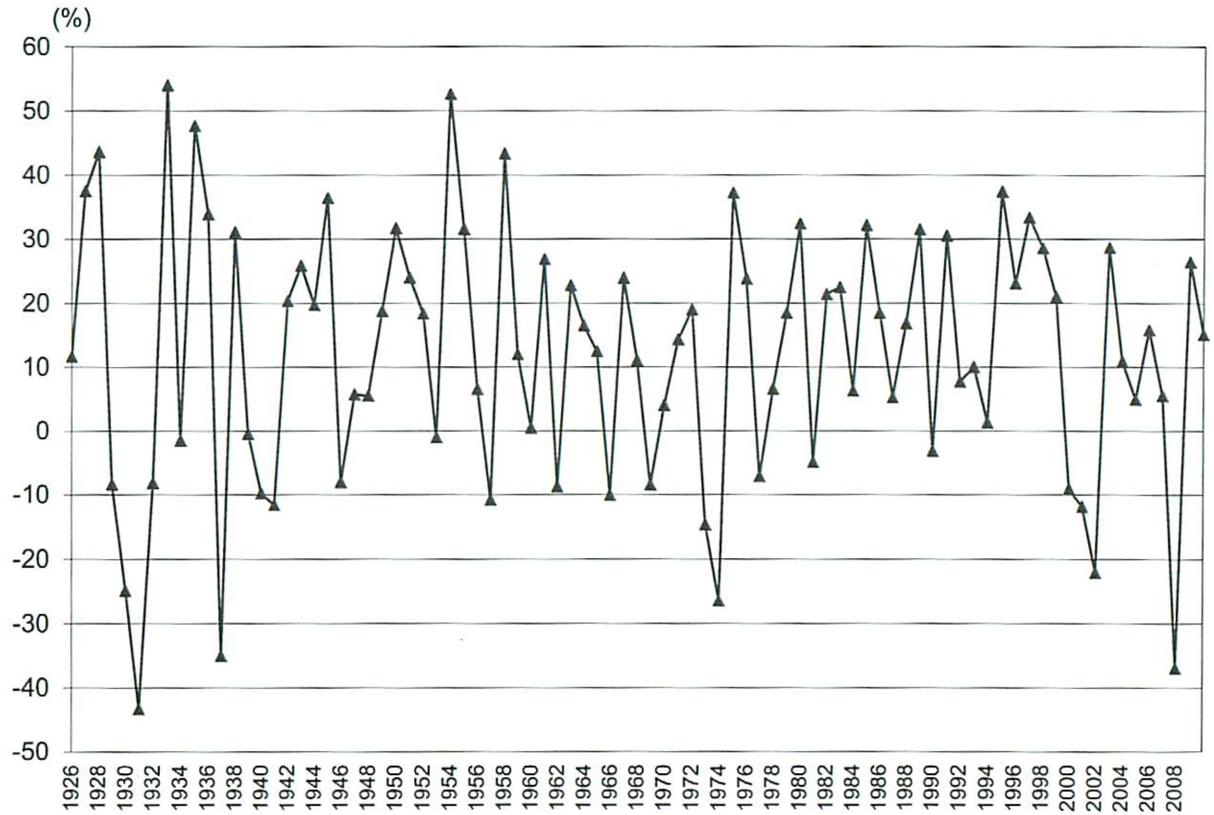


Exhibit No.___
Schedule PMA-9
Page 1 of 3

Source of Information:
Ibbotson® SBBI® - 2011 Valuation Yearbook - Market Results for Stocks Bonds Bills and Inflation - 1926-2010, Morningstar, Inc., 2011 Chicago, IL.

Total Returns on Large Company Stocks
1926 to 2010

Large Company Stocks

						2010				
						2006				
						2004	2009			
					2007	1988	2003	1997		
				1990	2005	1986	1999	1995		
				1981	1994	1979	1998	1991		
				1977	1993	1972	1996	1989		
				1969	1992	1971	1983	1985		
				1962	1987	1968	1982	1980		
				1953	1984	1965	1976	1975		
			2001	1946	1978	1964	1967	1955		
			2000	1940	1970	1959	1963	1950		
			1973	1939	1960	1952	1961	1945		
		2002	1966	1934	1956	1949	1951	1938	1958	
	2008	1974	1957	1932	1948	1944	1943	1936	1935	1954
1931	1937	1930	1941	1929	1947	**1926**	1942	1927	1928	1933

-50% -40% -30% -20% - 10% 0% 10% 20% 30% 40% 50% 60%

Arithmetic Mean: $r_A = \sum_{t=1}^{n} r_t \,/\, n$

Source : Ibbotson® SBBI ® – 2011 Valuation Yearbook – Market Results for Stocks, Bonds, Bills, and Inflation –1926-2010
Morningstar, Inc., 2011 Chicago, IL

Total Returns on Large Company Stocks
1926 to 2010

Large Company Stocks

2010

1926

-50% -40% -30% -20% - 10% 0% 10% 20% 30% 40% 50% 60%

Geometric Mean: $r_G = \left[V_n \,/\, V_0 \right]^{1/n} - 1$

Source : Ibbotson® SBBI ® – 2011 Valuation Yearbook – Market Results for Stocks, Bonds, Bills, and Inflation –1926-2010
Morningstar, Inc., 2011 Chicago, IL

Carolina Water Service, Inc.
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

Proxy Group of Nine Water Companies	1 Value Line Adjusted Beta	2 Market Risk Premium (1)	3 Risk-Free Rate (2)	4 Traditional CAPM Cost Rate (3)	5 ECAPM Cost Rate (4)	6 Indicated Common Equity Cost Rate (5)
American States Water Co.	0.75	7.71 %	4.73 %	10.51 %	10.99 %	
American Water Works Co., Inc.	0.65	7.71	4.73	9.74	10.42	
Aqua America, Inc.	0.65	7.71	4.73	9.74	10.42	
Artesian Resources Corp.	0.60	7.71	4.73	9.36	10.13	
California Water Service Group	0.70	7.71	4.73	10.13	10.71	
Connecticut Water Service, Inc.	0.80	7.71	4.73	10.90	11.28	
Middlesex Water Company	0.75	7.71	4.73	10.51	10.99	
SJW Corporation	0.90	7.71	4.73	11.67	11.86	
York Water Company	0.70	7.71	4.73	10.13	10.71	
Average				10.30 %	10.83 %	10.57 %
Median				10.13 %	10.71 %	10.42 %

See page 2 for notes.

Carolina Water Service, Inc.
Development of the Market-Required Rate of Return on Common Equity Using
the Capital Asset Pricing Model for
the Proxy Group of Nine AUS Utility Reports Water Companies
Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

(1) For reasons explained in Ms. Ahern's accompanying direct testimony, from the thirteen weeks ending July 8, 2011, Value Line Summary & Index, a forecasted 3-5 year total annual market return of 13.44% can be derived by averaging the thirteen weeks ended July 8, 2011 forecasted total 3-5 year total appreciation, converting it into an annual market appreciation and adding the Value Line average forecasted annual dividend yield.

The 3-5 year average total market appreciation of 55% produces a four-year average annual return of 11.51% $((1.55^{.25}) - 1)$. When the average annual forecasted dividend yield of 1.93% is added, a total average market return of 13.44% (1.93% + 11.51%) is derived.

The thirteen week forecasted total market return of 13.44% minus the forecasted risk-free rate of 4.73% (developed in Note 2) is 8.71% (13.44% - 4.73%). The Morningstar, Inc. (Ibbotson Associates) calculated market premium of 6.70% for the period 1926-2010 results from a total market return of 11.90% less the average income return on long-term U.S. Government Securities of 5.20% (11.90% - 5.20% = 6.70%). This is then averaged with the 8.71% Value Line market premium resulting in a 7.71% market premium. The 7.71% market premium is then multiplied by the beta in column 1 of page 1 of this Schedule.

(2) The average forecast based upon six quarterly estimates of 30-year Treasury Note yields per the consensus of nearly 50 economists reported in the Blue Chip Financial Forecasts dated July 1, 2011 (see page 7 of Schedule PMA-8). The estimates are detailed below:

	30-Year Treasury Note Yield
Third Quarter 2011	4.30
Fourth Quarter 2011	4.50
First Quarter 2012	4.60
Second Quarter 2012	4.80
Third Quarter 2012	5.00
Fourth Quarter 2012	5.20
Average	4.73%

(3) The traditional Capital Asset Pricing Model (CAPM) is applied using the following formula:

$$R_S = R_F + \beta (R_M - R_F)$$

Where R_S = Return rate of common stock
R_F = Risk Free Rate
β = Value Line Adjusted Beta
R_M = Return on the market as a whole

(4) The empirical CAPM is applied using the following formula:

$$R_S = R_F + .25 (R_M - R_F) + .75 \beta (R_M - R_F)$$

Where R_S = Return rate of common stock
R_F = Risk-Free Rate
β = Value Line Adjusted Beta
R_M = Return on the market as a whole

Source of Information: Value Line Summary & Index
Blue Chip Financial Forecasts, July 1, 2011
Value Line Investment Survey, April 22, 2011
Standard Edition and Small and Mid-Cap Edition
Ibbotson® SBBI® 2011 Valuation Yearbook – Market Results for
Stocks, Bonds, Bills, and Inflation – 1926 – 2010, Morningstar, Inc., 2011 Chicago, IL

Carolina Water Service, Inc.
Summary of Cost of Equity Models Applied to the
Proxy Group of Non-Utility Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

Principal Methods		Proxy Group of Thirty-Nine Non-Utility Companies
Projected Return on Book Common Equity (1)		15.50 %
Average of Market-Based Models (2)		11.39 %
	Average	13.45 %

Notes:
(1) From Schedule PMA-12.
(2) Average of the results of the DCF (12.05%), RPM (11.38%), and CAPM / ECAPM (10.75%) analyses as shown on pages 1, 2, and 5 of Schedule PMA-13 respectively.

Carolina Water Service, Inc.
Basis of Selection of Comparable Risk
Domestic Non-Price Regulated Companies

Proxy Group of Nine Water Companies	Value Line Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression
American States Water Co.	0.75	0.57	3.6376
American Water Works Co., Inc.	0.65	0.43	3.5017
Aqua America, Inc.	0.65	0.41	2.7699
Artesian Resources Corp.	0.60	0.34	2.4340
California Water Service Group	0.70	0.49	3.4453
Connecticut Water Service, Inc.	0.80	0.64	2.8611
Middlesex Water Company	0.75	0.56	2.6991
SJW Corporation	0.90	0.82	4.3423
York Water Company	0.70	0.48	3.2807
Average	0.72	0.53	3.2191

Beta Range (+/- 2 std. Devs. of Beta)	0.40	0.66	
2 std. Devs. of Beta	0.13		
Residual Std. Err. Range (+/- 2 std. Devs. of the Residual Std. Err.)	2.9363	3.5019	
Std. dev. of the Res. Std. Err.	0.1414		
2 std. devs. of the Res. Std. Err.	0.2828		

Carolina Water Service, Inc.
Proxy Group of Non-Price Regulated Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

Proxy Group of Thirty-Nine Non-Utility Companies	VL Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression
Gallagher (Arthur J.)	0.70	0.54	3.0362
AutoZone Inc.	0.70	0.51	3.3427
Baxter Intl Inc.	0.65	0.45	2.9474
Bristol-Myers Squibb	0.75	0.57	3.0546
Brown & Brown	0.70	0.48	3.0383
Capitol Fed. Finl	0.65	0.44	3.2917
CenturyLink Inc.	0.75	0.55	2.9789
Quest Diagnostics	0.70	0.49	2.9409
Edwards Lifesciences	0.65	0.41	3.1041
Forest Labs.	0.80	0.64	3.3015
Gilead Sciences	0.65	0.46	3.5013
Gen-Probe	0.80	0.66	3.4121
Hasbro, Inc.	0.75	0.60	3.4389
Hudson City Bancorp	0.80	0.66	3.2150
Hospira Inc.	0.70	0.52	3.4108
IAC/InterActiveCorp	0.70	0.49	3.2562
Investors Bancorp	0.75	0.55	3.3951
J&J Snack Foods	0.70	0.48	3.4541
Lancaster Colony	0.75	0.57	3.3757
McKesson Corp.	0.75	0.58	3.3192
Marsh & McLennan	0.75	0.59	2.9986
MAXIMUS Inc.	0.80	0.63	3.4865
Owens & Minor	0.65	0.46	3.3308
Rollins, Inc.	0.80	0.66	3.0435
Sherwin-Williams	0.70	0.49	3.0351
Smucker (J.M.)	0.70	0.49	3.0242
Sara Lee Corp.	0.80	0.65	3.2561
Silgan Holdings	0.75	0.62	3.1746
Suburban Propane	0.75	0.59	2.9382
Stericycle Inc.	0.70	0.48	3.1808
Safeway Inc.	0.70	0.48	3.1874
Stryker Corp.	0.80	0.66	3.1280
TJX Companies	0.80	0.65	3.0165
Walgreen Co.	0.75	0.61	3.2419
WD-40 Co.	0.75	0.56	3.4782
Weis Markets	0.65	0.45	2.9598
Watson Pharmac.	0.75	0.57	3.0355
Berkley (W.R.)	0.70	0.50	3.0005
West Pharmac. Svcs.	0.80	0.62	3.4659
Average	0.73	0.55	3.20
Proxy Group of Nine Water Companies	0.72	0.53	3.2191

Carolina Water Service, Inc.
Basis of Selection of Groups of Domestic, Non-Price Regulated Companies
Comparable in Total Risk to the Proxy Group of Nine Water Companies

(1) The proxy group of thirty-nine non-utility companies was selected based upon the proxy group of nine water companies unadjusted beta range of 0.40 – 0.66 and standard error of the regression range of 2.9363 – 3.5019. These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus two standard deviations captures 95.50% of the distribution of unadjusted betas and standard errors of the regression.

(2) The standard deviation of group of nine water companies' standard error of the regression is 0.1414. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.1414 = \frac{3.2191}{\sqrt{518}} = \frac{3.2191}{22.7596}$$

Source of Information: Value Line, Inc., June 15, 2011
Value Line Investment Survey (Standard Edition)

Carolina Water Service, Inc.
Comparable Earnings Analysis
for the Proxy Group of Non-Utility Companies Comparable in Total Risk to the
Proxy Group of Nine Water Companies(1)

Proxy Group of Thirty-Nine Non-Utility Companies	VL Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth, or Partner's Capital 5-Year Projected (2): 5 Year Projection	Student's T Statistic
Gallagher (Arthur J.)	0.70	0.54	3.0362	0.0629	13.00 %	(0.5)
AutoZone Inc.	0.70	0.51	3.3427	0.0693	NMF	(1.3)
Baxter Intl Inc.	0.65	0.45	2.9474	0.0611	27.50	0.5
Bristol-Myers Squibb	0.75	0.57	3.0546	0.0633	20.00	0.0
Brown & Brown	0.70	0.48	3.0383	0.0630	12.00	(0.5)
Capitol Fed. Finl	0.65	0.44	3.2917	0.0682	3.50	(1.1)
CenturyLink Inc.	0.75	0.55	2.9789	0.0617	9.00	(0.7)
Quest Diagnostics	0.70	0.49	2.9409	0.0609	15.00	(0.3)
Edwards Lifesciences	0.65	0.41	3.1041	0.0643	18.50	(0.1)
Forest Labs.	0.80	0.64	3.3015	0.0684	13.50	(0.4)
Gilead Sciences	0.65	0.46	3.5013	0.0726	36.50	1.1
Gen-Probe	0.80	0.66	3.4121	0.0707	13.50	(0.4)
Hasbro, Inc.	0.75	0.60	3.4389	0.0713	28.00	0.5
Hudson City Bancorp	0.80	0.66	3.2150	0.0666	10.00	(0.7)
Hospira Inc.	0.70	0.52	3.4108	0.0707	24.50	0.3
IAC/InterActiveCorp	0.70	0.49	3.2562	0.0754	4.50	(1.0)
Investors Bancorp	0.75	0.55	3.3951	0.0704	9.50	(0.7)
J&J Snack Foods	0.70	0.48	3.4541	0.0716	13.00	(0.5)
Lancaster Colony	0.75	0.57	3.3757	0.0700	17.50	(0.2)
McKesson Corp.	0.75	0.58	3.3192	0.0688	14.50	(0.4)
Marsh & McLennan	0.75	0.59	2.9986	0.0621	15.00	(0.3)
MAXIMUS Inc.	0.80	0.63	3.4865	0.0723	35.00	1.0
Owens & Minor	0.65	0.46	3.3308	0.0690	16.00	(0.3)
Rollins, Inc.	0.80	0.66	3.0435	0.0631	32.00	0.8
Sherwin-Williams	0.70	0.49	3.0351	0.0629	24.50	0.3
Smucker (J.M.)	0.70	0.49	3.0242	0.0627	11.50	(0.6)
Sara Lee Corp.	0.80	0.65	3.2561	0.0675	94.00 (3)	4.9
Silgan Holdings	0.75	0.62	3.1746	0.0658	17.00	(0.2)
Suburban Propane	0.75	0.59	2.9382	0.0609	25.00	0.3
Stericycle Inc.	0.70	0.48	3.1808	0.0659	15.50	(0.3)
Safeway Inc.	0.70	0.48	3.1874	0.0661	17.00	(0.2)
Stryker Corp.	0.80	0.66	3.1280	0.0648	19.50	(0.0)
TJX Companies	0.80	0.65	3.0165	0.0625	44.00	1.6
Walgreen Co.	0.75	0.61	3.2419	0.0672	20.50	0.0
WD-40 Co.	0.75	0.56	3.4782	0.0721	15.50	(0.3)
Weis Markets	0.65	0.45	2.9598	0.0613	9.00	(0.7)
Watson Pharmac.	0.75	0.57	3.0355	0.0629	13.50	(0.4)
Berkley (W.R.)	0.70	0.50	3.0005	0.0622	13.50	(0.4)
West Pharmac. Svcs.	0.80	0.62	3.4659	0.0718	14.50	(0.4)
Average	0.73	0.55	3.1999	0.0665		
Average for the Proxy Group of Nine Water Companies	0.72	0.53	3.2191 (1)	0.0674		
Median (4)					15.50%	
Conservative Median (5)					15.50%	

Notes:
(1) See Page 4 of Schedule PMA-11.
(2) From Value Line Investment Survey, various issues for the years 2013 - 2015 / 2014 - 2016.
(3) The student's T statistic associated with these returns exceeds 1.96 at the 95% level of confidence. Therefore, they have been excluded, as outliers, to arrive at proper projected returns as fully explained in Ms. Ahern's testimony.

(4) Median five year projected rate of return on book common equity, shareholders' equity, net worth, or partners' capital including returns identified as outliers as outlined in note (3) above.
(5) Median five year projected rate of return on book common equity, shareholders' equity, net worth, or partners' capital excluding returns identified as outliers as outlined in note (3) above.

Carolina Water Service, Inc.
DCF Results for the Proxy Group of Non-Utility Companies Comparable in Total Risk tc
the Proxy Group of Nine Water Companies

Proxy Group of Thirty-Nine Non-Utility Companies	Average Dividend Yield	Value Line Projected Five Year Growth in EPS	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth Rate in EPS	Adjusted Dividend Yield	Indicated Common Equity Cost Rate
Gallagher (Arthur J.	4.57 %	8.50 %	9.00 %	9.80 %	9.00 %	9.08 %	4.77 %	13.85 %
AutoZone Inc.	-	14.50	15.00	13.50	14.67	14.42	-	N/A
Baxter Intl Inc.	2.13	9.50	9.00	9.70	9.87	9.52	2.24	11.76
Bristol-Myers Squibb	4.67	7.50	1.90	0.70	(1.19)	3.37	4.75	8.12
Brown & Brown	1.25	7.00	11.00	13.30	11.60	10.73	1.32	12.05
Capitol Fed. Finl	2.60	12.00	N/A	N/A	N/A	12.00	2.75	14.75
Centurylink, Inc.	7.10	(1.00)	2.80	(0.30)	5.65	4.23	7.25	11.48
Quest Diagnostics	0.69	9.00	11.00	11.70	11.21	10.73	0.73	11.46
Edwards Lifesciences	-	15.00	27.00	33.90	26.31	25.55	-	N/A
Forest Labs.	-	NMF	3.40	(2.40)	(1.51)	3.40	-	N/A
Gilead Sciences	-	10.00	15.00	14.60	15.53	13.78	-	N/A
Gen-Probe	-	11.00	12.00	13.60	12.48	12.27	-	N/A
Hasbro, Inc.	2.64	10.00	13.00	N/A	13.55	12.18	2.80	14.98
Hudson City Bancorp	3.58	3.50	4.50	4.50	5.00	4.38	3.66	8.04
Hospira Inc.	-	11.50	11.00	12.20	10.78	11.37	-	N/A
IAC/InterActiveCorp	-	22.50	35.00	25.00	25.00	26.88	-	N/A
Investors Bancorp In	-	NMF	15.00	15.00	15.00	15.00	-	N/A
J&J Snack Foods	0.96	10.50	N/A	N/A	N/A	10.50	1.01	11.51
Lancaster Colony	2.18	9.00	N/A	N/A	10.00	9.50	2.28	11.78
McKesson Corp.	0.86	9.50	11.00	11.30	13.70	11.38	0.91	12.29
Marsh & McLennan	2.79	28.50	8.50	10.70	8.54	14.06	2.99	17.05
MAXIMUS Inc.	0.38	18.00	10.00	N/A	10.00	12.67	0.41	13.08
Owens & Minor	2.37	11.00	10.00	11.50	10.07	10.64	2.49	13.13
Rollins, Inc.	1.41	14.50	N/A	N/A	10.00	12.25	1.49	13.74
Sherwin-Williams	1.74	11.00	11.00	10.40	11.70	11.03	1.83	12.86
Smucker (J.M.)	2.31	10.50	6.90	8.00	7.08	8.12	2.41	10.53
Sara Lee Corp.	2.42	6.00	8.70	6.00	9.48	7.55	2.51	10.06
Silgan Holdings	1.02	11.50	8.00	5.00	8.06	8.14	1.06	9.20
Suburban Propane	6.41	1.00	4.00	3.00	4.00	3.00	6.51	9.51
Stericycle Inc.	-	14.50	17.00	16.50	16.00	16.00	-	N/A
Safeway Inc.	2.02	6.50	10.00	10.70	10.43	9.41	2.11	11.52
Stryker Corp.	1.20	13.00	11.00	11.20	10.89	11.52	1.27	12.79
TJX Companies	1.46	13.50	13.00	14.60	13.35	13.61	1.56	15.17
Walgreen Co.	1.62	12.00	13.00	13.40	14.17	13.14	1.73	14.87
WD-40 Co.	2.66	9.00	12.00	12.00	12.00	11.25	2.80	14.05
Weis Markets	2.90	6.50	N/A	N/A	N/A	6.50	2.99	9.49
Watson Pharmac.	-	11.50	11.00	12.80	12.53	11.96	-	N/A
Berkley (W.R.)	0.87	11.50	11.00	11.30	9.67	10.87	0.92	11.79
West Pharmac. Svcs.	1.51	8.50	20.00	N/A	15.00	14.50	1.62	16.12
Average								12.31 %
Median								12.05 %

NA= Not Available
NMF= Not Meaningful Figure

(1) Ms. Ahern's application of the DCF model to the domestic, non-price regluated comparable risk companies is identical to the application of the DCF to her proxy group of water companies. She uses the 60 day average price and the spot indicated dividend as of 40730 for her dividend yield and then adjusts that yield for 1/2 the average projected growth rate in EPS, which is calculated by averaging the 5 year projected growth in EPS provided by Value Line, www.reuters.com, www.zacks.com, and www.yahoo.com (excluding any negative growth rates) and then adding that growth rate to the adjusted dividend yield.

Source of Information: Value Line Investment Survey:
www.reuters.com Downloaded on 07/06/2011
www.zacks.com Downloaded on 07/06/2011
www.yahoo.com Downloaded on 07/06/2011

Carolina Water Service, Inc.
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

Line No.		Proxy Group of Thirty-Nine Non-Utility Companies
1.	Prospective Yield on Baa Rated Corporate Bonds (1)	6.17 %
2.	Equity Risk Premium (2)	5.21
3.	Risk Premium Derived Common Equity Cost Rate	11.38 %

Notes: (1) Average forecast based upon six quarterly estimates of Baa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated July 1, 2011 (see page 7 of Schedule PMA-PMA-8). The estimates are detailed below.

Third Quarter 2011	5.80 %
Fourth Quarter 2011	5.90
First Quarter 2012	6.10
Second Quarter 2012	6.20
Third Quarter 2012	6.40
Fourth Quarter 2012	6.60
Average	6.17 %

(2) From page 4 of this Schedule.

Carolina Water Service, Inc.
Comparison of Bond Ratings for the
Proxy Group of Non-Utility Companies Comparable in Total Risk to the
Proxy Group of Nine Water Companies

	Moody's Bond Rating 7/6/2011		Standard & Poor's Bond Rating 7/6/2011	
Proxy Group of Thirty-Nine Non-Utility Companies	Bond Rating	Numerical Weighting (1)	Bond Rating	Numerical Weighting (1)
Gallagher (Arthur J.)	N/A	- -	N/A	- -
AutoZone Inc.	Baa2	9	BBB	9
Baxter Intl Inc.	A3	7	A+	5
Bristol-Myers Squibb	A2	6	A+	5
Brown & Brown	N/A	- -	N/A	- -
Capitol Fed. Finl	N/A	- -	N/A	- -
CenturyLink Inc.	Baa3	10	N/A	- -
Quest Diagnostics	Baa2	9	BBB+	8
Edwards Lifesciences	N/A	- -	N/A	- -
Forest Labs.	N/A	- -	N/A	- -
Gilead Sciences	Baa1	8	N/A	- -
Gen-Probe	N/A	- -	N/A	8
Hasbro, Inc.	Baa2	9	BBB+	- -
Hudson City Bancorp	N/A	- -	N/A	- -
Hospira Inc.	Baa3	10	BBB+	8
IAC/InterActiveCorp	Ba2	12	N/A	- -
Investors Bancorp	N/A	- -	N/A	- -
J&J Snack Foods	N/A	- -	N/A	- -
Lancaster Colony	N/A	- -	N/A	- -
McKesson Corp.	Baa2	9	A-	7
Marsh & McLennan	Baa2	9	BBB-	10
MAXIMUS Inc.	N/A	- -	N/A	- -
Owens & Minor	Ba2	12	BBB-	10
Rollins, Inc.	N/A	- -	N/A	- -
Sherwin-Williams	A3	4	A	6
Smucker (J.M.)	N/A	- -	N/A	- -
Sara Lee Corp.	Baa1	8	BBB	9
Silgan Holdings	Ba3	13	N/A	- -
Suburban Propane	Ba2	12	N/A	- -
Stericycle Inc.	N/A	- -	N/A	- -
Safeway Inc.	A3	7	BBB	9
Stryker Corp.	A3	7	N/A	- -
TJX Companies	A3	7	A	6
Walgreen Co.	A2	6	N/A	- -
WD-40 Co.	N/A	- -	N/A	- -
Weis Markets	N/A	- -	N/A	- -
Watson Pharmac.	Baa3	10	N/A	- -
Berkley (W.R.)	Baa2	9	BBB+	8
West Pharmac. Svcs.	N/A	- -	N/A	- -
Average	Baa2	8.8	BBB+	7.7

Notes:

(1) From page 3 of Schedule

Source of Information:
Standard & Poor's Bond Guide June 2011
www.moodys.com; downloaded 7/6/2011

Carolina Water Service, Inc.
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Non-Utility Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

Line No.		Proxy Group of Thirty-Nine Non-Utility Companies
1.	Arithmetic mean total return rate on the Standard & Poor's 500 Composite Index - 1926-2010 (1)	11.90 %
2.	Arithmetic mean yield on Aaa and Aa Corporate Bonds 1926-2010 (2)	(6.10)
3.	Historical Equity Risk Premium	5.80 %
4.	Forecasted 3-5 year Total Annual Market Return (3)	13.44 %
5.	Prospective Yield an Aaa Rated Corporate Bonds (4)	(5.35)
6.	Forecasted Equity Risk Premium	8.09 %
7.	Conclusion of Equity Risk Premium (5)	6.95 %
8.	Adjusted Value Line Beta (6)	0.75
9.	Beta Adjusted Equity Risk Premium	5.21 %

Notes:
(1) Ibbotson Associates 2011 Valuation Yearbook - Market Results for 1926-2010, Morningstar, Inc., 2011 Chicago, IL.
(2) From Moody's Industrial Manual and Mergent Bond Record Monthly Update.
(3) From page 2 of Schedule PMA-PMA-10.
(4) Average forecast based upon six quarterly estimates of Aaa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated July 1, 2011 (see page 7 of Schedule PMA-PMA-8). The estimates are detailed below.

Third Quarter 2011	5.00 %
Fourth Quarter 2011	5.10
First Quarter 2012	5.30
Second Quarter 2012	5.40
Third Quarter 2012	5.60
Fourth Quarter 2012	5.70
Average	5.35 %

(5) The average of the historical equity risk premium of 5.80% from Line No. 3 and the forecasted equity risk premium of 8.09% from Line No. 6 ((5.80% + 8.09%) / 2 = 6.95%.
(6) Median beta from page 5 of this Schedule.

Carolina Water Service, Inc.
Traditional CAPM and ECAPM Results for the Proxy Group of Non-Utility Companies Comparable in Total Risk to the Proxy Group of Nine Water Companies

Proxy Group of Thirty-Nine Non-Utility Companies	Value Line Adjusted Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate (3)	ECAPM Cost Rate (4)	Indicated Common Equity Cost Rate (5)
Gallagher (Arthur J.)	0.70	7.71	4.73	10.13	10.71	
AutoZone Inc.	0.70	7.71	4.73	10.13	10.71	
Baxter Intl Inc.	0.65	7.71	4.73	9.74	10.42	
Bristol-Myers Squibb	0.75	7.71	4.73	10.51	10.99	
Brown & Brown	0.70	7.71	4.73	10.13	10.71	
Capitol Fed. Finl	0.65	7.71	4.73	9.74	10.42	
CenturyLink Inc.	0.75	7.71	4.73	10.51	10.99	
Quest Diagnostics	0.70	7.71	4.73	10.13	10.71	
Edwards Lifesciences	0.65	7.71	4.73	9.74	10.42	
Forest Labs.	0.80	7.71	4.73	10.90	11.28	
Gilead Sciences	0.65	7.71	4.73	9.74	10.42	
Gen-Probe	0.80	7.71	4.73	10.90	11.28	
Hasbro, Inc.	0.75	7.71	4.73	10.51	10.99	
Hudson City Bancorp	0.80	7.71	4.73	10.90	11.28	
Hospira Inc.	0.70	7.71	4.73	10.13	10.71	
IAC/InterActiveCorp	0.70	7.71	4.73	10.13	10.71	
Investors Bancorp	0.75	7.71	4.73	10.51	10.99	
J&J Snack Foods	0.70	7.71	4.73	10.13	10.71	
Lancaster Colony	0.75	7.71	4.73	10.51	10.99	
McKesson Corp.	0.75	7.71	4.73	10.51	10.99	
Marsh & McLennan	0.75	7.71	4.73	10.51	10.99	
MAXIMUS Inc.	0.80	7.71	4.73	10.90	11.28	
Owens & Minor	0.65	7.71	4.73	9.74	10.42	
Rollins, Inc.	0.80	7.71	4.73	10.90	11.28	
Sherwin-Williams	0.70	7.71	4.73	10.13	10.71	
Smucker (J.M.)	0.70	7.71	4.73	10.13	10.71	
Sara Lee Corp.	0.80	7.71	4.73	10.90	11.28	
Silgan Holdings	0.75	7.71	4.73	10.51	10.99	
Suburban Propane	0.75	7.71	4.73	10.51	10.99	
Stericycle Inc.	0.70	7.71	4.73	10.13	10.71	
Safeway Inc.	0.70	7.71	4.73	10.13	10.71	
Stryker Corp.	0.80	7.71	4.73	10.90	11.28	
TJX Companies	0.80	7.71	4.73	10.90	11.28	
Walgreen Co.	0.75	7.71	4.73	10.51	10.99	
WD-40 Co.	0.75	7.71	4.73	10.51	10.99	
Weis Markets	0.65	7.71	4.73	9.74	10.42	
Watson Pharmac.	0.75	7.71	4.73	10.51	10.99	
Berkley (W.R.)	0.70	7.71	4.73	10.13	10.71	
West Pharmac. Svcs.	0.80	7.71	4.73	10.90	11.28	
Average				10.36 %	10.88 %	10.62 %
Median				10.51 %	10.99 %	10.75 %

Notes:
(1) From Schedule PMA-PMA-10, page 2, note 1.
(2) From Schedule PMA-PMA-10, page 2, note 2.
(3) Derived from the model shown on Schedule PMA-PMA-10, page 2, note 3.
(4) Derived from the model shown on Schedule PMA-PMA-10, page 2, note 4.
(5) Average of CAPM and ECAPM cost rates.

Carolina Water Service, Inc.
Derivation of Investment Risk Adjustment Based upon
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

Line No.		1 Market Capitalization on July 6, 2011 (1) (millions)	1 (times larger)	2 Applicable Decile of the NYSE/AMEX/ NASDAQ (2)	3 Applicable Size Premium (3)	4 Spread from Applicable Size Premium for (4)
1.	Carolina Water Service, Inc.					
	a. Based Upon the Proxy Group of Nine Water Companies	$ 18.980		10	6.36%	
2.	Proxy Group of Nine Water Companies	$ 1,194.619	62.9 x	6-7	1.85%	4.51%

	(A) Decile	(B) Number of Companies (millions)	(C) Recent Total Market Capitalization (millions)	(D) Recent Average Market Capitalization (millions)	(E) Size Premium (Return in Excess of CAPM) (2)
Largest	1	168	$ 8,586,385.656	$ 51,109.438	-0.38%
	2	181	1,873,378.709	$ 10,350.159	0.81%
	3	187	1,022,604.243	$ 5,468.472	1.01%
	4	185	594,702.185	$ 3,214.606	1.20%
	5	213	482,327.242	$ 2,264.447	1.81%
	6	230	360,140.550	$ 1,565.828	1.82%
	7	287	304,948.414	$ 1,062.538	1.88%
	8	361	239,018.595	$ 662.101	2.65%
	9	491	181,744.805	$ 370.152	2.94%
Smallest	10	1320	136,119.075	$ 103.121	6.36%

*From Ibbotson 2011 Yearbook

Notes:

(1) From Page 2 of this Schedule.
(2) Gleaned from Column (D) on the bottom of this page. The appropriate decile (Column (A)) corresponds to the market capitalization of the proxy group, which is found in Column 1.
(3) Corresponding risk premium to the decile is provided on Column (E) on the bottom of this page.
(4) Line No. 1a Column 3 – Line No. 2 Column 3 and Line No. 1b, Column 3 – Line No. 3 of Column 3 etc.. For example, the 4.51% in Column 4, Line No. 2 is derived as follows 4.51% = 6.36% - 1.85%.

Carolina Water Service, Inc.
Market Capitalization of Carolina Water Service, Inc. and
the Proxy Group of Nine Water Companies

Company	Exchange	1 Common Stock Shares Outstanding at Fiscal Year End 2010 (millions)	2 Book Value per Share at Fiscal Year End 2010 (1)	3 Total Common Equity at Fiscal Year End 2010 (millions)	4 Closing Stock Market Price on July 06, 2011	5 Market-to-Book Ratio on July 06, 2011 (2)	6 Market Capitalization on July 06, 2011 (3) (millions)
Carolina Water Service, Inc.		NA	NA	$ 10.796 (4)	NA		
Based Upon the Proxy Group of Nine Water Companies						175.8 % (5)	$ 18.980 (6)
Proxy Group of Nine Water Companies							
American States Water Co.		18.631	$ 20.264	$ 377.541	$ 35.130	173.4 %	$ 654.502
American Water Works Co., Inc.		174.996	$ 23.614	$ 4,132.272	$ 30.010	127.1	$ 5,251.630
Aqua America, Inc.		138.449	$ 8.481	$ 1,174.254	$ 22.570	266.1	$ 3,124.795
Artesian Resources Corp.		7.517	$ 12.657	$ 95.146	$ 18.290	144.5	$ 137.488
California Water Service Group		20.833	$ 20.906	$ 435.526	$ 18.750	89.7	$ 390.619
Connecticut Water Service, Inc.		8.677	$ 13.134	$ 113.963	$ 25.820	196.6	$ 224.036
Middlesex Water Company		15.566	$ 11.132	$ 173.279	$ 19.000	170.7	$ 295.754
SJW Corporation		18.552	$ 13.747	$ 255.032	$ 24.770	180.2	$ 459.522
York Water Company		12.692	$ 7.190	$ 91.257	$ 16.800	233.7	$ 213.227
Average		46.212	$ 14.569	$ 760.919	$ 23.460	175.8 %	$ 1,194.619

NA= Not Available

Notes:
(1) Column 3 / Column 1.
(2) Column 4 / Column 2.
(3) Column 5 * Column 3.
(4) Allocation of total capitalization of Carolina Water Service, Inc. of $21.639 million by the requested common equity ratio of 49.89% ($21.639 M x 49.89% = $10.796 M).
(5) The market-to-book ratio of Carolina Water Service, Inc. on July 06, 2011 is assumed to be equal to the market-to-book ratio of the Proxy Group of Nine Water Companies at July 06, 2011.
(6) Carolina Water Service, Inc.'s common stock, if traded, would trade at a market-to-book ratio equal to the average market-to-book ratio at July 06, 2011 of the Proxy Group of Nine Water Companies, 175.8%, and Carolina Water Service, Inc.'s market capitalization on July 06, 2011 would therefore have been $18.98 million.

Source of Information: 2010 Annual Forms 10K
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